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August 31, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

Re: D.T.E. 04-70 — Petition of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric for Approvals Relating to the Issuance of Rate Reduction Bonds Pursuant to G.L. c. 164, § 1H

Dear Secretary Cottrell:

On behalf of Boston Edison Company (“Boston Edison”) and Commonwealth Electric Company (“Commonwealth”, and together with Boston Edison, the “Companies”), enclosed is an original and nine copies of the Petition (the “Petition”) for Approvals Relating to the Issuance of Rate Reduction Bonds Pursuant to G.L. c. 164, §§ 1G and 1H and the Boston Edison Restructuring Settlement Agreement approved by the Department of Telecommunications and Energy (the “Department”) in D.P.U./D.T.E. 96-23 and Commonwealth’s restructuring plan approved by the Department in D.P.U./D.T.E. 97-111 and D.P.U./D.T.E. 97-111-A. The Petition requests that the Department issue a Financing Order¹ that will provide for, *inter alia*, the securitization of approximately \$675 million relating to the liquidation of obligations under certain power purchase agreements, the recovery of transition costs deferred by Commonwealth and transaction and servicing costs associated with the securitization. The Petition also asks for the approval of the establishment of special purpose entities to accomplish the securitization and the establishment (and subsequent transfer) of a portion of the Companies’ transition or access charges as transition property from which rate reduction bonds to be issued will be repaid. In addition, the Petition requests the granting of exemptions to the Companies from the competitive bid and par-value debt-issuance requirements of G.L. c. 164.

In D.T.E. 04-61 and D.T.E. 04-78, the Companies have filed for Department approval of the buyout of the obligations to purchase electricity from MASSPOWER and from Dartmouth Power Associates Limited Partnership, respectively. Those buyout agreements are conditioned, in part, on the issuance by the Department of Financing

¹ In accordance with Department practice under G.L. c. 164, § 1H, the Companies are submitting a proposed Financing Order as Exhibit NSTAR-1.

Orders authorizing the securitization of associated costs. In total, as described in Mr. Lubbock's testimony herein (Exhibit NSTAR-GOL), this securitization filing is projected to save customers approximately \$130 million on a net-present-value basis.

In support of the Petition, the Companies have enclosed the following:

Exhibit NSTAR-GOL	Prefiled testimony of Geoffrey O. Lubbock (with accompanying exhibits), Vice President, Financial Strategic Planning & Policy, regarding the securitization of the buyouts and Commonwealth deferrals, and related customer savings;
Exhibit NSTAR-EGO	Prefiled testimony of Emilie O'Neil (with accompanying exhibits), Director of Corporate Finance and Cash Management regarding the structure of the securitization transaction; and
Exhibit NSTAR-JF	Prefiled testimony of John Fernando, Senior Vice President in Lehman Brothers' Asset Backed Securities Group regarding market factors relating to the issuance of rate reduction bonds.

Also enclosed is a Motion for Protective Order for certain price forecasts and financial information that are included in the Companies' analysis of customer savings. Because negotiations have not been concluded regarding all outstanding PPAs, this information is deemed proprietary and confidential, since the public release of this information could adversely affect NSTAR Electric's ability to maximize mitigation. The exhibits accompanying this public version of the filing are redacted to remove the confidential information. Unredacted versions are being provided separately, under seal.

Because the of the long lead time necessary to complete the issuance of rate reduction bonds pursuant to G.L. c. 164, § 1H, all approvals, including the issuance by the Department of securitization Financing Orders, must be completed by December 15, 2004. Accordingly, NSTAR Electric requests expedited consideration of this filing.

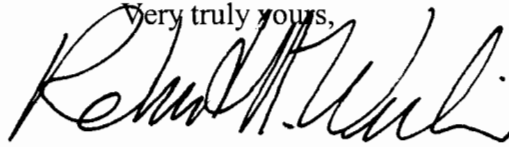
Letter to Secretary Cottrell

August 31, 2004

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Also enclosed is the \$101,850 filing fee. Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert N. Werlin". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

Robert N. Werlin

Enclosures

cc: Andrew O. Kaplan, General Counsel
Joan Foster Evans, Hearing Officer
Ronald LeComte, Director, Electric Power Division
Kevin Brannelly, Director, Rates and Revenue Requirements Division
Joseph Rogers, Assistant Attorney General
Kerry Britland
Tam Ly

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of Boston Edison Company and
Commonwealth Electric Company
for Approvals Relating to the Issuance of
Rate Reduction Bonds Pursuant to G.L. c. 164, § 1H

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D.T.E. 04-70

**PETITION FOR APPROVALS RELATING TO
ISSUANCE OF RATE REDUCTION BONDS**

Boston Edison Company (“Boston Edison”) and Commonwealth Electric Company (“Commonwealth”, and together with Boston Edison, the “Companies”) hereby petition the Department of Telecommunications and Energy (the “Department”) for a financing order (the “Financing Order”) approving the issuance of electric rate reduction bonds (“RRBs”), pursuant to G.L. c. 164, §§ 1G and 1H, and the Boston Edison Restructuring Settlement Agreement approved by the Department in D.P.U./D.T.E. 96-23 (the “Settlement Agreement”) and Commonwealth’s restructuring plan (the “Restructuring Plan”) approved by the Department in D.P.U./D.T.E. 97-111 and D.P.U./D.T.E. 97-111-A. The Financing Order will provide for: (a) the securitization (as such term is used in G.L. c. 164, §§ 1G and 1H) through RRBs of reimbursable transition costs amounts of approximately \$675 million consisting of the payments associated with the termination of obligations under certain power purchase agreements (the “PPAs”) between the Companies and MASSPOWER and between Commonwealth and Dartmouth Power Associates, L.P. (“Dartmouth”), the recovery of transition costs deferred by Commonwealth pursuant to the Restructuring Plan, transaction costs arising in connection with the issuance of the RRBs, and the provision of any required credit

enhancement as described below; (b) the establishment of a portion of the Companies' transition or access charges ("RTC Charges") as transition property from which RRBs to be issued will be repaid; (c) the organization and capitalization of a special purpose entity by each of the Companies (each, an "SPE") to which the transition property of each of the Companies will be sold; (d) the servicing of RTC Charges by each of Boston Edison and Commonwealth, as the initial servicers for their respective transition property ("Servicers"), or any successor Servicers, under servicing agreements (each a "Servicing Agreement") and (e) the granting of exemptions to the Companies from the competitive bid and par-value debt-issuance requirements of G.L. c. 164.

In support of this Petition, Boston Edison and Commonwealth state as follows:

1. The Applicants, Boston Edison and Commonwealth, are each Massachusetts corporations authorized to generate, transmit, purchase, sell and distribute electricity. Both of Boston Edison and Commonwealth are an electric company as defined in G.L. c. 164, § 1 and serve retail electric customers in Massachusetts.
2. Chapter 164 of the Acts of 1997, codified in G.L. c. 164, §§ 1G and 1H, provides for electric companies to securitize a portion of their transition costs through the issuance of RRBs to provide savings to customers.
3. In separate petitions filed by Boston Edison and Commonwealth on July 7, 2004 (D.T.E. 04-61) and on August 27, 2004 (D.T.E. 04-78), the Companies requested approval of the agreements that would terminate their obligations pursuant to the PPAs, in accordance with the Settlement Agreement, the Restructuring Plan and the mitigation requirements of G.L. c. 164, § 1G(d)(4).

4. Boston Edison, together with other electric companies, and the staffs of MassDevelopment and the Massachusetts Health and Educational Facilities Authority (together, the “Agencies”) have previously developed a structure for the proposed securitization and the process for approval by the Department. The Agencies have had the opportunity to review and comment on this Application and the exhibits hereto. Based on their knowledge and experience with other rate reduction bond financings, representatives of the Agencies have indicated that the proposed Financing Order contained in the Petition satisfies (a) all requirements under §§ 1G and 1H relating to the terms and conditions of the RRBs and (b) historical rating agency criteria consistent with achieving the highest possible ratings for RRBs.
5. RRBs will be issued to securitize the reimbursable transition costs amounts represented by the payments made by the Companies to MASSPOWER and by Commonwealth to Dartmouth in connection with the termination of obligations under the PPAs, the recovery of the then-outstanding balance of transition costs deferred by Commonwealth pursuant to the Restructuring Plan, the transaction costs associated with the issuance of the RRBs, and the provision of any required credit enhancement. These amounts are eligible for recovery through issuance of RRBs and the collection of the RTC Charges. The Companies currently estimate the initial principal amount of RRBs to be issued will be approximately \$675 million, subject to adjustment based on the timing of the closing of the PPA buyout transactions and the issuance of the RRBs, the amount of Commonwealth’s outstanding deferred transition costs

at the time of issuance of the RRBs, the actual transaction costs, input from nationally recognized statistical rating organizations (the “rating agencies”), selected by the Companies and approved by the Agencies, to assign credit ratings to the RRBs, or changes in the proposed transaction not now anticipated by the Companies.

6. In the Settlement Agreement and the Restructuring Plan, and subsequent filings pursuant thereto, including D.T.E. 04-61 and D.T.E. 04-78, the Department has or will have approved the Companies’ respective transition charges (referred to as the access charge in the Boston Edison Settlement Agreement) to recover on a fully reconciling basis all of the Companies’ transition costs including the reimbursable transition costs amounts proposed to be securitized.
7. The issuance of RRBs will reduce the total transition costs paid by customers compared to the total transition costs to be paid by customers if the Financing Order was not adopted.
8. Each of the Companies will form a wholly-owned SPE. Each SPE will be bankruptcy-remote, in that its activities will be limited to ownership of the transition property and issuance of notes (the “Debt Securities”), and restrictions will be imposed on its ability to commence a bankruptcy case or other insolvency proceeding. Each of the Companies will capitalize its respective SPE in an amount anticipated to be approximately 0.50 percent of its allocable portion of the initial principal balance of RRBs, as may be adjusted at the time of issuance based on rating agency requirements. Such

funds will be pledged to secure the Debt Securities and will be used to pay debt service and related fees and expenses in the event of a shortfall in RTC Charge collections. The capital contributed by each Company to its SPE, to the extent remaining after payment of its SPE's Debt Securities, will be returned to that Company as a return of capital.

9. Each of the Companies will sell its transition property to its wholly owned SPE in a transaction which, under G.L. c. 164, § 1H, will be intended and treated as a legal true sale and absolute transfer to such SPE notwithstanding any contrary treatment of such transfer for accounting, tax or other purposes.
10. Pursuant to G.L. c. 164, § 1H(e), upon the effective date of the Financing Order there shall exist a statutory first priority lien on all transition property then existing or thereafter arising pursuant to the terms of the Financing Order. Such lien shall secure all obligations, then existing or subsequently arising, for the benefit of the holders of each of the SPE's Debt Securities and the RRBs, the trustee or representative for such holders, each SPE and the RRB Trust (defined below), and shall arise by operation of law automatically without any action on the part of the Companies or any other person.
11. Each SPE will then issue Debt Securities to a single special purpose trust established by the Agencies (the "RRB Trust"). Each SPE's Debt Securities will be non-recourse to Boston Edison or Commonwealth, as the case may be, and their assets. Each SPE's Debt Securities will be secured by all of the assets of such SPE including, without limitation, (a) the transition property, (b) the rights of such SPE under the various transaction documents such as the

purchase agreement by which such SPE acquires the transition property, the Servicing Agreement by which the respective Company, or any successor Servicer, acts as Servicer for the transition property, an administration agreement, a collection account and any other subaccounts of such SPE contained in such SPE's collection account including a capital subaccount, an overcollateralization subaccount and a reserve subaccount, and (c) investment earnings (other than earnings on the capital subaccount, which are to be returned as a distribution of capital to Boston Edison or Commonwealth, as the case may be) on amounts held by such SPE.

12. RRBs will be issued by the RRB Trust and are expected to be pass-through certificates representing undivided beneficial interests in the SPEs' Debt Securities. The form, interest rate, repayment schedule, classes, number and determination of credit ratings and other characteristics of RRBs will be determined at the time of pricing based on then-current market conditions.
13. Boston Edison, Commonwealth and the SPEs will all be indirect subsidiaries of NSTAR. Combining the issuance by each of the Companies in one RRB transaction will result in issuance cost savings and other efficiencies, thereby lowering costs for customers. Neither SPE shall be obliged with respect to the other SPE's Debt Securities, and therefore the customers of the respective Companies shall not be affected by the actions of the other Company or the adequacy of the transition property of such other Company.
14. The RRB Trust will transfer an allocable portion of the net proceeds from the RRBs to each of the SPEs, less its allocable share of certain transaction costs

associated with the RRB Transaction, as consideration for such SPE's Debt Securities and the SPE will then transfer such proceeds to Boston Edison or Commonwealth, as the case may be, as consideration for their respective transition property.

15. RRBs will not be obligations of the Companies nor will they be secured by a pledge of the general credit, full faith or taxing power of the Commonwealth of Massachusetts or any agency or subdivision of the Commonwealth of Massachusetts in accordance with G.L. c. 164, §1H(b)(4). RRBs will be repaid through the collection of RTC Charges from all retail users, without regard to class, of the Companies' respective distribution systems within the geographic service territory as in effect on July 1, 1997, by each of the Companies and any successor distribution companies, which may include successor Servicers. Each RTC Charge will be a usage-based charge and will be a component of (and used to calculate) the transition charge on each retail users' monthly bill until the SPE's Debt Securities, together with all interest, fees, costs and expenses, are discharged in full. While not separately identified on each retail user's monthly bill, each monthly bill will note that the RTC Charges, as a component of the transition charges, is being collected on behalf of an SPE, as owner of the transition property.
16. G.L. c. 164, § 1H(b)(3) provides that the Financing Order and the reimbursable transition costs amounts shall be irrevocable, and the Department (or any successor thereto) shall not have authority to revalue or revise for ratemaking purposes the reimbursable transition costs amounts, or

determine that such reimbursable transition costs amounts or RTC Charges are unjust or unreasonable, or in any way reduce or impair the value of transition properties either directly or indirectly by taking into account RTC Charges when setting other rates for the Companies, nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement or termination.

17. Pursuant to G.L. c. 164, § 1H(b)(3) the Commonwealth of Massachusetts has pledged and agreed with the owners of transition properties and holders of RRBs that the Commonwealth of Massachusetts will not (i) alter the provisions of G.L. c. 164 that make the RTC Charges imposed by the Financing Order irrevocable and binding or (ii) limit or alter the reimbursable transition costs amounts, transition property, the Financing Order and all rights thereunder until RRBs and any interest thereon are fully discharged.
18. Each of the Companies will file an initial RTC Charge in an issuance advice letter upon final determination of all terms of the RRBs after each class of RRBs is priced, but prior to the date such RRBs are issued. The RTC Charges shall be established by each of the Companies at an initial level (and at different levels during specified periods over the life of RRBs) intended to provide for the full recovery of payments of interest and principal on its SPE's Debt Securities, in accordance with the expected amortization schedule determined at the time of offering, any credit enhancement and any ongoing related fees, costs and expenses, based upon assumptions including sales

forecasts, weighted average days outstanding of customer receivables and charge-off experience.

19. The level of RTC Charges for each Company may differ for specified periods during the term of the RRBs due to several factors, including changes in the principal balance of its SPE's Debt Securities, the impact of the variability of energy sales, changes in weighted average days outstanding of customer receivables and charge-off experience, and changes in ongoing fees, costs and expenses of the RRB Transaction.
20. In order to minimize the impact of variability in energy sales, changes in weighted average days outstanding of customer receivables and charge-off experience, collections on the payment of principal, interest, fees, costs and expenses on the Debt Securities and the RRBs and the provision of any credit enhancement, and to maintain actual principal amortization in accordance with the expected amortization schedule, the Companies propose to adjust the RTC Charges, up or down, by an RTC Charge adjustment mechanism in accordance with G.L. c. 164, § 1H(b)(5) and the methodology described in Exhibit NSTAR-EGO.
21. Through the transfer of transition property to an SPE, such SPE will obtain the right and the obligation to assess and collect RTC Charges. Boston Edison will initially act as the Servicer for the transition property of its wholly-owned SPE and Commonwealth will initially act as the Servicer for the transition property of its wholly-owned SPE. Each of the Companies, or any successor Servicer, will be responsible for calculating, billing, collecting,

and remitting its respective RTC Charges from all retail users of its distribution system within the geographic service territory as in effect on July 1, 1997. Each of the Companies will carry out billing, collection and remittance activities both as Servicer with respect to RTC Charges, and as principal with respect to its own charges to be paid by such customers.

22. In consideration for its servicing responsibilities, each of the Companies or any successor Servicer will receive a periodic servicing fee which will be recovered through RTC Charges as described in Exhibit NSTAR-EGO.
23. The Companies expect to implement with the Department's approval and consistent with prior orders of the Department, certain policies and procedures designed to ensure that the credit ratings of the RRBs will not be reduced or withdrawn due to the existence of any third party biller. The policies and procedures described in the prefiled testimony in Exhibit NSTAR-JF will help retain the quality of RTC Charge billings, collections and remittances.
24. Each of the Companies expect to use its allocable portion of the proceeds from the issuance of the RRBs for the following purposes: (a) to fund the liquidation payments to MASSPOWER and, in the case of Commonwealth, Dartmouth, in connection with the termination of the obligation to purchase electricity pursuant to the PPAs, (b) to provide any credit enhancement required for the RRBs other than to the funding of the capital subaccount, and (c) to pay transaction costs. In addition, Commonwealth may use proceeds to reduce capitalization and for general corporate purposes.

THEREFORE, the Companies respectfully petition the Department:

1. To grant any and all authorizations that may be required under Massachusetts law, including, without limitation, approval and authorization in the Financing Order pursuant to the Settlement Agreement, the Restructuring Plan and G.L. c. 164, § 1H, for the consummation of the transactions contemplated by the issuance of RRBs and related matters, including without limitation: (a) the securitization (as such term is used in G.L. c. 164, §§ 1G and 1H) through RRBs of reimbursable transition costs amounts of approximately \$675 million consisting of the liquidation payments associated with the termination of obligations pursuant to the PPAs between the Companies and MASSPOWER and between Commonwealth and Dartmouth, the recovery of certain transition costs deferred by Commonwealth pursuant to the Restructuring Plan and the transaction costs arising in connection with the issuance the RRBs, and the provision of any required credit enhancement; (b) the organization and capitalization of each SPE to which the transition property will be sold; (c) the establishment and adjustment from time to time of RTC Charges from which the RRBs will be repaid; and (d) the servicing of RTC Charges by each of Boston Edison and Commonwealth, as initial Servicers, or any successor Servicer under the Servicing Agreements.
2. To find an exemption in the public interest from each of (a) the competitive bidding requirements of G.L. c. 164, § 15 and (b) the par value debt issuance requirements of G.L. c. 164 § 15(a) in connection with the sale of the RRBs and to grant each such exemption.
3. To find customer savings, reflected in lower transition charges, than would be required to recover the approved transition costs if the Financing Order was not adopted in accordance with G.L. c. 164, §§ 1G(d)(4) and 1H(b)(2).
4. To make such other findings and issue such other orders as set forth in the proposed Financing Order attached hereto in the form of Exhibit NSTAR-1.
5. To grant such other and further orders and approvals as the Department may deem necessary or proper in the circumstances.

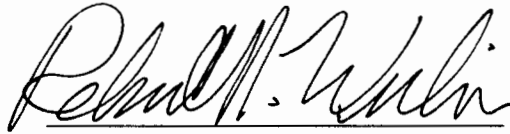
The Companies submit for the Department's consideration a proposed Financing Order attached to this Application as Exhibit NSTAR-1. The Companies also submit prefiled testimony in the following exhibits:

- i. Exhibit NSTAR-JF — Prefiled Testimony of John Fernando;
- ii. Exhibit NSTAR-EGO — Prefiled Testimony of Emilie G. O'Neil; and
- iii. Exhibit NSTAR-GOL — Prefiled Testimony of Geoffrey O. Lubbock.

Respectfully submitted,

**BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY**

By their attorneys,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", written over a horizontal line.

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Dated: August 31, 2004

BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY

Exhibit NSTAR-1 Form of Proposed Financing Order

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

_____)	
Boston Edison Company)	D.T.E. 04-70
Commonwealth Electric Company)	
_____)	

FINANCING ORDER

The Department of Telecommunications and Energy (the “Department”) has considered the proposed issuance of electric rate reduction bonds (“RRBs”) on behalf of Boston Edison Company (together with any legal successors thereto, “Boston Edison”) and Commonwealth Electric Company (together with any legal successors thereto, “Commonwealth”; Boston Edison and Commonwealth are collectively referred to herein as the “Companies” and individually as a “Company”) to securitize (as such term is used in G.L. c. 164, §§ 1G and 1H) reimbursable transition costs amounts of approximately \$675 million (the “RRB Transaction”). These reimbursable transition costs amounts consist of the liquidation payments associated with the termination of obligations under power purchase agreements (the “PPAs”) between the Companies and MASSPOWER and between Commonwealth and Dartmouth Power Associates, L.P. (“Dartmouth”), the recovery of certain transition costs deferred by Commonwealth pursuant

to the Commonwealth restructuring plan (the “Restructuring Plan”), transaction costs arising in connection with the issuance of the RRBs, and the provision of any required credit enhancement.

The principal amount of RRBs is subject to adjustment (which may be significant) based on the timing of the closing of the buyout of the PPAs and the issuance of the RRBs, the amount of Commonwealth’s outstanding deferred transition costs at the time of issuance of the RRBs, the actual transaction costs (including any required credit enhancement) arising in connection with the RRB Transaction, input from nationally recognized statistical rating organizations (the “rating agencies”) selected by the Companies with the approval of the Massachusetts Health and Educational Facilities Authority and MassDevelopment (together the “Agencies”) to assign credit ratings to the RRBs, and changes in the proposed transaction not now anticipated by the Companies.

The Department finds the RRB Transaction will result in net savings for the benefit of the Companies’ customers reflected in lower transition charges than would be required to recover the approved transition costs if this Financing Order was not adopted and otherwise satisfies the requirements of G.L. c. 164, §§ 1G and 1H. Therefore, pursuant to this Financing Order, the Department authorizes the RRB Transaction as described in the Companies’ Petition.

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I. STATUTORY AND REGULATORY OVERVIEW

On November 25, 1997, the Governor of Massachusetts signed into law a comprehensive electric industry restructuring law, Chapter 164 of the Acts of 1997 (the “Act”), which authorizes electric companies to securitize all or a portion of their transition costs through the issuance of RRBs to provide savings to ratepayers.

In the Boston Edison Restructuring Settlement Agreement approved by the Department in D.T.E./D.P.U. 96-23 (the “Settlement Agreement”), Commonwealth’s Restructuring Plan approved by the Department in D.P.U./D.T.E. 97-111 and 97-111-A, and subsequent filings pursuant to the Settlement Agreement and the Restructuring Plan, including the transactions contemplated in this proceeding, the Department approved the Companies’ respective transition charges to recover on a fully reconciling basis all of the Companies’ respective transition costs, including the reimbursable transition costs amounts being securitized.

Boston Edison, together with other electric companies, and the staffs of the Agencies have previously developed a structure for the RRB Transaction and the process for approval by the Department. The Agencies have reviewed and commented on the Petition, the exhibits thereto and this proposed Financing Order. The Agencies have indicated that the proposed RRB Transaction satisfies all statutory and rating agency requirements and that the transaction costs that have been negotiated or reviewed by the Agencies as described herein are reasonable.

II. RRB TRANSACTION

A. Proposed Structure

The Companies have provided a general description of the RRB Transaction structure in their testimony and discovery conducted during the proceedings. This proposed structure is subject to modification, depending upon marketing of the RRBs and negotiations with rating agencies selected to assign credit ratings to the RRBs. The final structure will be determined by

the Companies at the time the RRBs are priced, with the approval of the Agencies as provided herein, and after input from the rating agencies and the underwriters.

Pursuant to this Financing Order, the Companies will securitize a portion of their transition costs (as defined in G.L. c. 164, §§ 1G and 1H), together with the transaction costs of issuing the RRBs and providing for any required credit enhancement. These amounts constitute reimbursable transition costs amounts (as defined in G.L. c. 164, § 1H(a)) and shall be financed through the issuance of debt securities by a special purpose entity (“SPE”) of each Company (the “Debt Securities”) and the RRBs. The repayment of the Debt Securities and ultimately the RRBs will be effected through the assessment and collection of a portion of each Company’s transition charge (such portion is referred to hereunder as the “RTC Charge”). The transition charge of each Company, a component of which will be the RTC Charge, is a separate, non-bypassable charge assessed and collected from all classes of retail users of the respective Companies’ distribution systems within the geographic service territory in effect on July 1, 1997, whether or not energy is purchased from the Companies, or any third party generation supplier, and whether or not such distribution system is being operated by the Companies, or a successor distribution Company. Each transition charge (including each RTC Charge) is a usage-based tariff on each retail user’s monthly bill and may include in the future any exit charge collected pursuant to G.L. c. 164, § 1G(g) until an SPE’s Total Payment Requirements (as defined below) are discharged in full.

As described in the Petition, the principal asset to be used to support each of the SPE’s Debt Securities, and ultimately the RRBs, is transition property (the “Transition Property”) of each related Company. The Transition Property of each Company represents a continuously existing property right created pursuant to G.L. c. 164, § 1H, including, without limitation, the

right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the reimbursable transition costs amounts established by this Financing Order, including such amounts established in an issuance advice letter (the “Issuance Advice Letter”), (b) the RTC Charge for such Company authorized by this Financing Order, including the initial RTC Charge set forth in the Issuance Advice Letter, as it may be adjusted from time to time in order to generate amounts sufficient to discharge an amount equal to the sum of the SPE’s Periodic Payment Requirements and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RTC Charge. Pursuant to this Financing Order, the Transition Property and the RTC Charge of each Company are irrevocable, and cannot be reduced, rescinded, altered, amended or impaired by either the Department (or any successor entity) or The Commonwealth of Massachusetts through its pledge contained in G.L. c. 164, § 1H(b)(3).

Each Company will form an SPE which will be a bankruptcy-remote entity, wholly owned by Boston Edison or Commonwealth, as the case may be. Each Company will provide the initial capitalization of its SPE (currently estimated to be approximately 0.50% of the initial RRB principal balance allocable to such Company).

Each Company will sell its Transition Property to its wholly owned SPE in a transaction which, under G.L. c. 164, § 1H(f)(1), is intended to be treated as a legal true sale and absolute transfer to such SPE. Each such SPE will constitute a financing entity for purposes of G.L. c. 164, § 1H.

To raise the funds to pay the purchase price of the Transition Property to the Companies, each SPE will issue and sell Debt Securities to a single special purpose trust established by the Agencies (the “RRB Trust”). The RRB Trust, which will constitute a financing entity for

purposes of G.L. c. 164, § 1H, will then issue and sell the RRBs to investors, the allocable proceeds of which will be remitted to the SPEs and ultimately to the Companies. The RRBs will be pass-through certificates representing undivided beneficial interests in the Debt Securities of each SPE in the manner permitted by G.L. c. 164, § 1H(c). Neither SPE will be obligated with respect to the Debt Securities of the other SPE, and, therefore, the customers of the respective Companies will not be affected by the actions of the other Company or the adequacy of the other Company's Transition Property. Combining the issuance of each of the Companies in one RRB transaction will result in issuance cost savings and other efficiencies, thereby lowering costs for customers.

The Debt Securities of the SPEs will be secured by a first-priority statutory lien on all Transition Property held by the SPE that issues such Debt Securities as provided in G.L. c. 164, § 1H(e), together with a pledge of other collateral of such SPE (the "Other SPE Collateral"). The Other SPE Collateral will include, without limitation, the rights of such SPE under the RRB Transaction documents to which it is a party, including the purchase agreement by which such SPE acquires the Transition Property; the servicing agreement (the "Servicing Agreement") by which its related Company acts as initial servicer (each, a "Servicer") for its Transition Property, or any successor Servicer acts as Servicer of the Transition Property; the Administration Agreement (as defined below); and the collection account and any subaccounts of such SPE contained in such SPE's collection account including a capital subaccount, an overcollateralization subaccount and reserve subaccount, and any investment earnings on such amounts (other than earnings on the capital subaccount) held by such SPE.

It is anticipated that the RRBs may be issued in multiple classes with separate maturities depending upon market conditions. The longest term RRBs will have an expected maturity of

approximately 8 years. The legal maturities of each class will be up to 2 years beyond its expected maturity or longer, if required by the rating agencies, in accordance with G.L. c. 164, § 1H(b)(4)(vi).

B. Recovery of Transition Costs

G.L. c. 164, § 1H(b)(1) provides that the Department may issue a financing order “to facilitate the provision, recovery, financing, or refinancing of transition costs.” Transition costs are “the embedded costs” which are determined to be recoverable through a transition charge pursuant to G.L. c. 164, § 1. In the Settlement Agreement, the Department approved the transition costs and transition charges (referred to as access charges in the Settlement Agreement) that Boston Edison may collect. In the Restructuring Plan, the Department approved Commonwealth’s transition costs and transition charges which Commonwealth may collect. The Department has further determined, under G.L. c. 164, §§ 1G(e) and H(b)(2), that these transition charges be nonbypassable by ratepayers. The Department can authorize an electric company to securitize reimbursable transition costs amounts, as provided in G.L. c. 164, § 1H. Pursuant to this Financing Order, the Department authorizes the Companies’ securitization through the RRB Transaction of the reimbursable transition costs amounts recoverable through RTC Charges. The Companies currently estimate that the principal amount of RRBs to be issued will be approximately \$675 million as described below subject to adjustment based on the timing of the Companies’ buyout of the PPAs and the issuance of the RRBs, the amount of Commonwealth’s outstanding deferred transition costs at the time of issuance of the RRBs, the actual transaction costs, input from rating agencies, and changes in the proposed RRB Transaction not now anticipated by the Companies.

1. Transition Costs

In the Settlement Agreement and the Restructuring Plan, subsequent filings pursuant to the Settlement Agreement and the Restructuring Plan, and in the Companies' Petitions relating to the termination of obligations pursuant to the PPAs (D.T.E. 04-61 and D.T.E. 04-78) the Department approved the Companies' respective transition charges to recover on a fully reconciling basis all of the Companies' transition costs including the reimbursable transition costs amounts proposed to be securitized, which includes Commonwealth's deferred transition charges (i.e. the amount by which, in any given period, Commonwealth's actual transition charges exceed the transition charges actually collected during that period). Pursuant to this Financing Order, the right to recover the reimbursable transition costs amounts proposed to be securitized shall constitute Transition Property.

2. Transaction Costs of Issuance

In order to issue RRBs to achieve net savings for the benefit of their customers, the Companies will incur transaction costs related to the issuance of RRBs. G.L. c. 164, § 1H(a) specifically provides that a financing order shall include recovery of the costs of issuing RRBs and defines transition property to include the costs of issuing, servicing and retiring RRBs.

Based on the currently estimated initial offering of \$675 million of RRBs, the Companies estimate that such amount will include transaction costs of approximately \$6.5 million, which may vary, in part, based on the factors described below. These transaction costs will include, among other items, the underwriting spread, rating agency fees, accounting fees, Securities and Exchange Commission ("SEC") registration fees, Department filing fees, printing and marketing expenses, trustees' fees, legal and accounting fees, the Agencies' fees, original issue discount and other miscellaneous costs and expenses. These costs also include payments made by

Commonwealth to obtain consents required in connection with the amendment of covenants relating to its outstanding debt securities. The amendment is necessary in order to permit the RRB Transaction and the resulting savings because the covenants contained in the documents for those securities would otherwise prohibit the RRB Transaction. G.L. c. 164, § 1H(a) allows the Department to issue a Financing Order to “facilitate the provision, recovery, financing or refinancing of transition costs.” Fees paid to lenders in connection with the amendment necessary to allow Commonwealth to undertake the securitization financing and avoid prepayment of outstanding debt, and thereby increase savings to customers, are financing costs allowed by Section 1H(a). Certain fees, such as underwriters’ spread, rating agency fees, SEC registration fees, Department filing fees, and the Agencies’ fees will vary, depending primarily on the actual principal amount of RRBs to be issued. Other fees are based on market rates charged for similar transactions. These fees have been negotiated or approved by the Agencies, other than the SEC registration and Department filing fees, which are determined by law or regulation, and the Companies’ legal and accounting fees, as well as the covenant amendment fees to be paid by Commonwealth discussed above, which have been negotiated and reviewed by the Companies and are consistent with similar transactions.

The Department authorizes the Companies, with approval of the Agencies to the extent described above, to recover the transaction costs of issuing RRBs described above, out of the proceeds of the RRB Transaction; and to include such costs as reimbursable transition costs amounts and the right to recover such amounts shall constitute Transition Property. To the extent prior payment is required, such costs will be paid by the Companies and reimbursed from the proceeds of the RRB Transaction.

C. Ongoing Transaction Costs

The Department approves the Companies' recovery of ongoing transaction costs through the RTC Charge. The primary ongoing transaction costs will be the servicing fee (the "Servicing Fee") paid to each Company, as initial servicer ("Servicer") of the Transition Property sold to its wholly-owned SPE, or any successor Servicer and the Administration Fee (as described below). Other ongoing costs associated with the RRB Transaction include, the ongoing rating agency fees, fees for the trustees, legal and accounting fees and other miscellaneous fees and expenses. The Companies will also collect funding for the overcollateralization accounts. In addition, ongoing transaction costs may include any indemnity obligations of the SPEs in the RRB Transaction documents for the SPE officers and managers, liabilities of the RRB Trust, and liabilities to the underwriters related to the underwriting of the RRBs. These costs will also be reimbursable transition costs amounts and will be recovered through the RTC Charge in accordance with G.L. c. 164, § 1H and the right to recover these costs as reimbursable transition costs amounts will constitute Transition Property.

D. RTC Charge

To facilitate the RRB Transaction, this Financing Order provides a procedure to establish the RTC Charges necessary to amortize each of the SPE's Debt Securities, and ultimately the RRBs, in accordance with their expected amortization schedules, and to provide for the payment of all ongoing transaction costs associated with the RRB Transaction. The Department understands that the RTC Charges will vary over the life of the RRB Transaction as a result of several factors, including, without limitation, changes in the outstanding principal balance of the RRBs, the impact of the variability of energy sales forecasts, changes in weighted average days outstanding of customer receivables and charge-off experience, and changes in the ongoing costs

of the RRB Transaction. Prior to the issuance of the RRBs, each of the Companies is authorized to file an Issuance Advice Letter with the Department. The Issuance Advice Letters will confirm the final structure and repayment terms of the RRB Transaction, the total principal amount and pricing of RRBs (including the principal balance of each of the SPE's Debt Securities, reflecting the principal balance of RRBs allocable to each of the Companies) and the actual transaction costs (including the transaction costs allocable to each of the Companies). Each filing will also describe the initial RTC Charge of each of the Companies associated with the RRB Transaction, which will be calculated using the methodology described in the Companies' prefiled testimony and adopted in this Financing Order.

To confirm that the actual terms of the RRB Transaction will result in savings for ratepayers, the Department will require the Companies to provide in the Issuance Advice Letters a calculation of projected savings to ratepayers, using the methodology contained in the Companies' testimony, applied to the actual structure and terms of the Debt Securities and the RRBs. So long as the terms and structure result in net savings to the Companies' customers in accordance with this approved methodology, the Companies are authorized to undertake the RRB Transaction.

The RTC Charges for customers established by this Financing Order and calculated using the methodology contained in the Companies' testimony, shall become effective automatically when an Issuance Advice Letter is filed. The RTC Charge calculations have been examined and found reasonable and each of the Companies will use an Issuance Advice Letter substantially in the form of Appendix A to this Financing Order.

As more fully described in the testimony, each Company, or any successor Servicer, is expected to remit to the trustee for its SPE's Debt Securities (each a "Note Trustee"), on a daily

basis, an amount equal to the actual RTC Charges billed, less an allowance for estimated charge-offs as more fully described in the prefiled testimony, on or about the day such amounts are deemed to be collected. The deemed collection date of such amounts will be the weighted average number of days, based on such Company's historical collections experience, that a monthly bill for services remains outstanding before payment. On the basis of these remittances on or about the deemed collection date, collections of RTC Charges will be deemed paid within one calendar month of collection for purposes of G.L. c. 164, § 1H(b)(8). Each Servicer then will reconcile such remittances at least once annually for all remittances made in the previous year as more fully described in the testimony. Each Company's establishment of the deemed collection date, based on its historical collections experience, and its remittance and reconciliation procedure is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections in accordance with the provisions of G.L. c. 164, § 1H(b)(8), given each Company's current accounting and billing information systems capabilities. On each semi-annual payment date for the RRBs, or more frequently depending on market conditions at the time of RRB pricing, each of the Note Trustees will release money from such SPEs' collection account to a trustee for the RRB Trust appointed under an indenture in connection with the RRB Transaction (the "RRB Trustee") who will apply such moneys to the payment of interest and principal on RRBs to RRB holders.

An RTC Charge will be calculated separately by each Company and will be set at a level intended to recover the principal balance of (in accordance with the expected amortization schedule), and interest on, the Debt Securities issued by such Company's wholly-owned SPE authorized under this Financing Order, together with the ongoing costs incurred by or allocable to such Company for servicing such SPE's Debt Securities and the RRBs (the required periodic

payment of such, including deficiencies on past due principal and interest for any reason, the “Periodic Payment Requirement” and collectively, the “Total Payment Requirements”), based on assumptions set forth in the testimony including sales forecasts, weighted average days outstanding of customer receivables and charge-off experience. RTC Charges shall remain in effect until the owner of the Transition Property has received RTC Charges sufficient to discharge the Total Payment Requirements of the applicable SPE as described in G.L. c. 164, § 1H(b)(2). Payments on the SPEs’ Debt Securities and the RRBs will be semi-annual or more frequent, depending upon market conditions at the time of RRB pricing.

Under G.L. c. 164, § 1H(b)(6), the right to collect these RTC Charges becomes Transition Property when and to the extent that the Financing Order becomes effective authorizing such RTC Charges. The amounts of the reimbursable transition costs amounts determined hereby are irrevocable, and the Department or any successor entity does not have authority to, and shall not, rescind, reduce, alter, amend or impair this Financing Order, determine that the reimbursable transition costs amounts or the RTC Charges established hereby are unjust or unreasonable or in any way reduce or impair the value of the Transition Property by taking reimbursable transition costs amounts into account in setting other rates of any of the Companies. Nor shall the amounts of revenues under the RTC Charges be subject to reduction, impairment, postponement or termination. See G.L. c. 164, § 1H(b)(3).

While not separately identified on each retail user’s monthly bill, each monthly bill will note that the applicable RTC Charge, as a component of the transition charge, is being collected on behalf of an SPE, as owner of the Transition Property.

E. Periodic Adjustments to the RTC Charges

Although this Financing Order, the Transition Property and the RTC Charges are each irrevocable, the Department or any successor entity must approve adjustments to the RTC Charges as necessary to ensure timely recovery of all reimbursable transition costs amounts that are the subject of this Financing Order, including the ongoing costs of the RRB Transaction. The Department must establish a procedure for the expeditious approval of periodic adjustments to the RTC Charges. See G.L. c. 164, § 1H(b)(5).

Each Company will establish an adjustment mechanism (an “RTC Charge True-Up Mechanism”) to periodically adjust the applicable RTC Charge, up or down, to ensure that it remains sufficient to generate an amount equal to the SPE’s Periodic Payment Requirements. Adjustments to the applicable RTC Charge pursuant to the RTC Charge True-Up Mechanism shall include, without limitation, the effect of under-estimates of required collections, customer defaults, any contingent obligations of an SPE arising from indemnity provisions in its transaction documents, customers exiting a Company’s distribution system and defaults by Servicers in the remittance of collections. Each Company proposes to adjust its RTC Charge by the RTC Charge True-Up Mechanism, at least annually, to keep actual principal amortization for its SPE’s Debt Securities in line with the expected amortization schedule which is established after the RRBs are priced. The form of advice letter for each Company’s periodic RTC Charge True-Ups is substantially in the form of Appendix B to this Financing Order.

Each Company shall file periodic RTC Charge true-up advice letters (“True-Up Advice Letters”) annually, and if necessary, more frequently. The resulting upward or downward adjustments to the applicable RTC Charge will be effective on the first day of the succeeding calendar month, or such date as may be specified in the True-Up Advice Letter, as long as such

effective date is at least 15 days after the filing of such True-Up Advice Letter. For these adjustments, the adjusted RTC Charge will be calculated using the methodology set forth in the Companies' testimony.

Whenever a Company determines that the RTC Charge True-Up Mechanism used to calculate RTC Charge adjustments requires modification to more accurately project and generate adequate revenues, a non-routine RTC Charge True-Up Advice Letter ("Non-Routine True-Up Advice Letter") may be filed with the resulting adjustments to the RTC Charge (reflecting such modification to the methodology or model) to be effective upon review and approval by the Department within 60 days of such filing.

F. Formation of SPEs

The Department authorizes each Company to form and capitalize an SPE to engage in the RRB Transaction as described herein. The Department hereby determines that each SPE constitutes a financing entity, as defined in G.L. c. 164, § 1H(a), which is authorized to acquire the Transition Property. Each SPE will be a Delaware limited liability company, wholly owned by Boston Edison or Commonwealth, as the case may be, and, if so, may constitute an "affiliated company" under G.L. c. 164, § 85, clause (a) or (b), subject to supervision of the Department in certain respects under G.L. c. 164, §§ 17A and 76A by reason thereof. The Department finds that each SPE is not an "affiliated company" for purposes of clause (c) of the said Section 85.

The fundamental organizational documents of each SPE will impose significant limitations upon the activities of such SPE and the ability of Boston Edison or Commonwealth, as the case may be, to take actions as the holder of the equity interest therein. For example, each SPE will be formed for the limited purpose of acquiring the Transition Property and Other SPE Collateral and issuing and selling its Debt Securities. It will not be permitted to engage in any

other activities, and will have no assets other than the Transition Property and Other SPE Collateral.

Each SPE will be managed by a board of managing members. As long as the Debt Securities and the RRBs remain outstanding, each Company shall be required to cause its SPE to have at least one independent director. Without the consent of these independent directors, such SPE will be unable (a) to amend provisions of fundamental organizational documents which ensure the bankruptcy-remoteness of such SPE, (b) to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or (c) to dissolve, liquidate or wind up. Other provisions may also be included to support the bankruptcy-remote character of each SPE as required by the rating agencies.

G. Transition Property

Under G.L. c. 164, § 1H(a) of the Act, Transition Property is “the property right created pursuant to G.L. c. 164, § 1H, including, without limitation, the right, title and interest of an electric company or a financing entity to all revenues, collections, payments, money, or proceeds arising from or constituting reimbursable transition costs amounts which are the subject of a financing order, including those nonbypassable rates and other charges that are authorized by the department in the financing order to recover the transition costs and the costs of providing, recovering, financing, or refinancing the transition costs, including the costs of issuing, servicing, and retiring electric rate reduction bonds.”

The Transition Property thereafter continuously exists as property for all purposes as provided in this Financing Order, but in any event until such SPE’s Debt Securities are paid in full. See G.L. c. 164, § 1H(b)(6). Transition Property shall constitute property for all purposes

whether or not the revenues or proceeds with respect to RTC Charges have accrued. See G.L. c. 164, § 1H(d)(3).

The foregoing structural elements, including, without limitation, the legal true sale and absolute transfer of the Transition Property by each Company to its SPE, and the bankruptcy-remote status of such SPE, should enable RRBs to receive a credit rating superior to that of securities issued by such Company. The Department finds that upon the filing of an Issuance Advice Letter, automatically effective as of such filing, all of the Transition Property identified in such Issuance Advice Letter constitutes a property right and shall thereafter continuously exist as property for all purposes.

H. Sale of Transition Property to SPEs

The Department approves the sale by each Company to its wholly-owned SPE of the Transition Property identified in such Company's Issuance Advice Letter which, under G.L. c. 164, § 1H(f)(1), will be intended, and treated, as a legal true sale and absolute transfer to each SPE, notwithstanding any other characterization for tax, accounting or other purposes. Upon the sale of the Transition Property identified in the Issuance Advice Letter to such SPE, such SPE will have all of the rights originally held by Boston Edison or Commonwealth, as the case may be, with respect to the Transition Property and Other SPE Collateral, including without limitation, the right to exercise any and all rights and remedies to collect any amounts payable by any customer in respect of the Transition Property and Other SPE Collateral, including the right to authorize the Servicer to shut-off electric power to the extent permitted in accordance with G.L. c. 164, §§ 124 A-I and any applicable regulations. Any payment by any such customer to any SPE shall discharge the customer's obligations in respect of such Transition Property to the

extent of the payment, notwithstanding any objection or direction to the contrary by Boston Edison or Commonwealth, as initial Servicer, or any successor Servicer.

I. Issuance and Transfer of Debt Securities and Issuance of RRBs

The Department approves the issuance by the SPEs of Debt Securities, and by the RRB Trust of the RRBs, identified in the Issuance Advice Letters. The Department also approves each SPE's pledge of its right, title and interest in and to the Transition Property and Other SPE Collateral as security for its Debt Securities. The Debt Securities and RRBs will, by their terms, be non-recourse to the Companies and their assets, but will be secured by a pledge of all of the right, title and interest of the SPE issuing such Debt Securities in its Transition Property and Other SPE Collateral. The Department approves the issuance by the RRB Trust of RRBs on terms substantially described herein and finalized in the Issuance Advice Letters. To the extent provided in this Financing Order, the final terms and conditions of the Debt Securities and RRBs shall be approved by the Agencies.

Pursuant to G.L. c. 164, § 1H(e), upon the effective date of this Financing Order there shall exist a statutory first priority lien on all Transition Property then existing or thereafter arising pursuant to the terms of this Financing Order. Such lien shall secure all obligations, then existing or subsequently arising, to the holders of the RRBs, the trustee or representative for such holders, and the RRB Trust and shall arise by operation of law automatically without any action on the part of any Company or any other person. Such lien shall be valid, perfected, and enforceable upon the effectiveness of the Financing Order without any further public notice. Each Company expects to file a financing statement with respect to the Transition Property which will constitute a protective filing pursuant to G.L. c. 164, § 1H(e).

J. Nonbypassable RTC Charges

To ensure credit risks are minimized, it is necessary that the RTC Charges be nonbypassable. Under G.L. c. 164, § 1H(b)(2), “nonbypassable” means the RTC Charges will be assessed and collected from all classes of retail users of each Company’s respective distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from such Company or any third party generation supplier, and whether or not such distribution system is being operated by such Company or a successor distribution company. The RTC Charge is a usage-based component of the transition charge on each retail user’s monthly bill and may in the future include a pro rata component of any exit charge collected pursuant to G.L. c. 164, § 1G(g) by a Company and any successor distribution company, including any third party generation supplier, until the Total Payment Requirements of the applicable SPE are discharged in full.

III. RATEPAYER BENEFITS

Each Company evaluated whether the RRB Transaction would result in net savings to its customers. Based upon the methodology and assumptions set forth in the testimony, each Company estimates the RRB Transaction to result in net savings to its customers by reducing the future transition charge payments its customers would be required to pay if this Financing Order were not adopted. The actual savings and lower transition charges resulting from the RRB Transaction will depend upon the actual amount of RRBs issued, market conditions at the time of RRB pricing, the actual amount of transition costs, and the actual amount of transaction costs, including the amount of any required credit enhancement.

Based on this evidence, the Department finds that the RRB Transaction will result in savings for customers as is contemplated by the Settlement Agreement and the Restructuring Plan and G.L. c. 164, §§ 1G(d)(4) and 1H(b)(2). To confirm this finding after RRB pricing, the

Issuance Advice Letters shall include a calculation in accordance with the Companies' testimony indicating that, based on the actual structure and pricing terms, the RRB Transaction is expected to result in net savings and such savings will inure to the benefit of each Company's customers.

IV. USE OF PROCEEDS

An allocable portion of proceeds from the sale of RRBs will ultimately be remitted to each Company in consideration of such Company's sale of its Transition Property to its wholly-owned SPE. The Companies expect to use their proceeds for the following purposes: (a) to fund the PPA liquidation payments to MASSPOWER and, in the case of Commonwealth, Dartmouth; (b) to provide any credit enhancement required for the RRBs (other than the funding of the capital subaccounts); and (c) to pay, or reimburse the Companies, for transaction costs. In addition, Commonwealth may use the proceeds to reduce its capitalization and for general corporate purposes.

V. RELATED ISSUES

As the Companies describe in their testimony, there are several related issues that have a potentially significant impact on the RRB Transaction as described below.

A. Tax Considerations

The interest paid to holders of RRBs will be exempt from income taxes imposed in The Commonwealth of Massachusetts but will not be exempt from federal income taxes or taxes imposed in any other state. See G.L. c. 164, § 1H(b)(4)(iii).

B. Accounting and Financial Reporting

The amount financed is expected to be recorded in accordance with generally accepted accounting principles ("GAAP") as long term debt on the balance sheet of each SPE for financial reporting purposes. Boston Edison, Commonwealth, each SPE, the RRB Trust and the holders of RRBs will expressly agree pursuant to the terms of the applicable documents to treat each

SPE's Debt Securities as debt of such SPE secured by, among other things, the Transition Property and the Other SPE Collateral for this purpose. Because each SPE will be a wholly owned subsidiary of Boston Edison or Commonwealth, as the case may be, it is required that such SPE be consolidated with its parent company for financial reporting purposes under GAAP. Therefore, such SPE's Debt Securities will appear on the consolidated balance sheet of the respective parent company in its GAAP financial statements. For purposes of financial reporting to the Department and the Federal Energy Regulatory Commission, each Company will include on its stand-alone financial statements the debt of its SPE as amounts due to associated companies. The RRB Transaction is not expected to impact either Company's credit ratings, as it is expected that the rating agencies will determine that RRBs, which are not supported by the Companies' general revenue stream, and not collateralized by the assets of either Company, do not affect either Company's creditworthiness. Therefore, it is anticipated that the rating agencies will exclude the RRBs as debt for purposes of calculating financial ratios.

C. Rating Agency Considerations

1. True-sale Opinion

Rating agencies will require acceptable opinions of bankruptcy counsel at the time the SPE's Debt Securities and the RRBs are issued for assurance that the Transition Property will be bankruptcy-remote from Boston Edison and Commonwealth. To obtain such opinions, the transfer of the Transition Property from a Company to its SPE must constitute a legal "true sale" such that if such Company were to become the subject of a bankruptcy or insolvency case, such Transition Property would not be part of such Company's bankruptcy estate and therefore would not be subject to the claims of such Company's creditors.

G.L. c. 164, § 1H(f)(1) expressly provides that under Massachusetts law certain transfers of Transition Property as described in G.L. c. 164, § 1H(f)(1) approved in a financing order shall be so treated for all purposes as an absolute transfer and true sale, other than for federal and state income tax purposes. In addition, the SPE's Debt Securities and RRBs will be non-recourse to each Company and its assets, other than the Transition Property sold to an SPE and the Other SPE Collateral. See G.L. c. 164, § 1H(c)(1).

Another element of the bankruptcy analysis focuses on the separate legal status of each Company and its SPE. Although each Company will wholly-own its SPE, the RRB Transaction will be structured so that, in the event of a bankruptcy of such Company, its SPE's separate legal existence would be respected and the assets and liabilities of such SPE would remain separate from the estate of such Company. The structural elements supporting such separate existence include, without limitation, requirements that each SPE be adequately capitalized, that each Company be adequately compensated on an arms-length basis for the functions it performs in billing, collecting and remitting the RTC Charges and that each Company and each SPE take certain steps to ensure that creditors are not misled as to their separate existence. These structural protections are very important to avoid the potential for "substantive consolidation" in a bankruptcy proceeding where the liabilities of two or more affiliated entities (such as each of the Companies and their respective SPEs) are pooled and claims of third-party creditors against any of those entities being treated as claims against the common pool of assets created by consolidation.

2. Credit Enhancement

Credit enhancements are mechanisms that provide investors with added assurance that they will recover their investment. Examples of credit enhancement include the right to make periodic

adjustments to the RTC Charges, the overcollateralization subaccount, the capital subaccount, and the reserve subaccount. It is expected that the RRB Transaction will incorporate the RTC Charge True-Up Mechanism authorized by G.L. c. 164, § 1H(b)(5) as described above, the various subaccounts, and other means of credit enhancement to the extent required by the rating agencies.

From a credit perspective, the purpose of the capital and overcollateralization subaccounts owned by each of the SPEs is to provide security to investors and to enhance the credit rating of the RRBs by providing a cushion to cover shortfalls in RTC Charge collections. Each Company initially will fund the capital subaccount of its wholly-owned SPE in an amount expected to equal 0.50 percent of the initial principal balance of its SPE's Debt Securities (i.e., the principal amount of the RRBs allocated to it). The overcollateralization subaccounts will be funded ratably over time through the RTC Charge to an amount expected to equal 0.50 percent of the initial principal balance of the respective SPE's Debt Securities. The amounts needed to fund the capital and overcollateralization subaccounts in order to satisfy the rating agencies will be determined by the Companies with input from the rating agencies prior to the time the RRBs are priced. Any deficiencies in the capital and overcollateralization subaccounts will be incorporated into each periodic adjustment to the extent necessary using the RTC Charge True-Up Mechanism adopted in this Financing Order, in accordance with Section 1H(b)(7).

The primary purpose of the reserve subaccount is to hold collections and investment earnings of the SPEs in excess of their Periodic Payment Requirements for any given period. Amounts in an SPE's reserve subaccount will be available to cover subsequent shortfalls in its RTC Charge collections. Any balances in the reserve subaccount will be incorporated into each periodic adjustment using the RTC Charge True-Up Mechanism such that the balance in the

reserve subaccount will be expected to be zero at the end of the period for which the RTC Charge was adjusted.

Retail customers obligated to pay the RTC Charges in their rates should receive credit equal to the amount of any overcollateralization and any investment earnings thereon (other than the earnings on the capital subaccount of its wholly-owned SPE, which earnings will be returned as a distribution of capital by the SPE to such Company) not used to discharge the SPE's Total Payment Requirements. As a result, overcollateralization will not reduce customer benefits from the RRB Transaction.

3. Sequestration

The Department agrees that, in the event of a default by a Company or any successor Servicer in payment of the RTC Charges to an SPE, the Department will, upon application by (1) the holders of RRBs or the RRB Trustee, (2) such SPE or its assignees or (3) pledgees or transferees of the Transition Property and Other SPE Collateral, order the sequestration and payment to or for the benefit of such SPE or such other party of revenues arising with respect to the Transition Property and Other SPE Collateral. This will provide additional certainty that the RTC Charges will benefit the owner of the Transition Property, and should serve to enhance the credit quality of RRBs.

4. Third Party Biller Concerns

Each third party biller ("TPB"), if any, shall comply with the billing, collection and remittance procedures and information access requirements set forth in the pre-filed testimony, or such other policies or procedures as the rating agencies may require. Billing, collection and remittance of RTC Charges by a TPB may increase the risk of shortfalls in RTC Charge collections by exposing the cash flow to potential interruption due to the default, bankruptcy or

insolvency of the TPB. This risk of interruption without these procedures or policies would increase risks to investors, potentially reducing the credit rating and/or increasing the rate of interest on RRBs that would be required by investors. Therefore, the Department approves such policies and procedures.

D. Allocation of Collection Shortfalls

In order to preserve the bankruptcy-remote status of the Transition Property and Other SPE Collateral once transferred to each SPE, a Company cannot have any claim on the RTC Charges. In its capacity as Servicer, each Company will bill RTC Charges along with other charges for services rendered to customers obligated to pay such charges. If a Company collects less than the full amount that is billed to such customers, it is not permitted to favor itself over its SPE, as owner of the Transition Property. In accordance with G.L. c. 164, § 1H(b)(1), this Financing Order requires that upon the issuance of RRBs, transition charges collected shall be allocated first, to Transition Property and second, to transition charges, if any, that are not subject to this or any other financing order. In the case of Boston Edison, transition charges associated with the currently proposed RRB Transaction and the RTC Charge associated with Boston Edison's previous RRB Transaction will both be components of the Boston Edison transition charge, each separately identified and pledged to secure the RRB Transaction to which they relate, and, in the event of any shortfall, will be shared between the Transition Property created under this Financing Order and the transition property created under the previous financing order pro rata in accordance with the respective RTC Charges.

As described earlier, it is expected that each Company, or any successor Servicer, will remit to a Note Trustee on a daily basis, an amount equal to the actual RTC Charges billed, less an allowance for estimated charge-offs, on or about the day such amounts are deemed to be

collected. Each Company's allowance for estimated RTC Charge charge-offs is its system-wide allowance for charge-offs, adjusted to take into consideration estimates of partially paid bills. Each Company will reconcile such remittances at least once annually for all remittances made in the previous year with the Note Trustee to more accurately reflect the amount of RTC Charges that should have been remitted, based on the actual system-wide charge-off percentage, which is adjusted for estimates of partially paid bills. The Department approves each Company's remittance procedure, with estimated charge-offs relating to RTC Charges and reconciliation of remittances, and finds that such remittance procedure, based on each such Company's accounting and billing information systems capabilities, is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections and complies with the provisions of G.L. c. 164, § 1H(b)(1).

E. Servicing

The Department authorizes each Company to enter into a Servicing Agreement, in accordance with G.L. c. 164, § 1H(c)(3), with its SPE to perform servicing functions on behalf of such SPE. Pursuant to the Servicing Agreements, each Company will act as Servicer of its respective SPE's Transition Property. Each Company will be responsible for customer kWh billing and usage information, and for billing, collecting and remitting the RTC Charges as described earlier and in the prefiled testimony. The Department authorizes each Company to contract with its SPE to collect amounts in respect of the RTC Charges for the benefit and account of such SPE, and to account for and remit these amounts to or for the account of such SPE. The Servicing Agreements will provide that the Companies, as initial Servicers, may not voluntarily resign their duties as Servicer without obtaining the prior approval of the Department or if such resignation will result in the reduction or withdrawal of the credit ratings of RRBs.

In order to support each SPE's legal status separate and apart from each Company, the Servicing Fee paid to each Company must be market-based. The annual Servicing Fee, payable semi-annually or more frequently, will be a part of the Servicing Agreement and will be based upon a percentage of each Company's allocable portion of the initial principal balance of the RRBs and will be included in the reimbursable transition costs amounts constituting Transition Property that is sold to an SPE. The Servicing Fee represents a reasonable good faith estimate of an arm's length, market-based fee for servicing the Debt Securities. Such servicing responsibilities include, without limitation, billing, monitoring, collecting and remitting RTC Charges, systems modifications to bill, monitor, collect and remit RTC Charges, reporting requirements imposed by the Servicing Agreement, procedures required to coordinate with each TPB, and required audits related to a Company's role as Servicer. The Servicing Fee paid to a Company will be lower than the Servicing Fee paid to a successor Servicer that does not concurrently bill the RTC Charge with charges for other services to reflect the higher costs related thereto.

F. Accounting for Certain Benefits.

Any amounts accounted for in the reserve subaccount, which represents prior collections in excess of the prior periods' Periodic Payment Requirements, at the time that a Company calculates a periodic RTC Charge adjustment, will be incorporated in such adjustment, in accordance with G.L. c. 164, § 1H(b)(7). Each Company, as initial Servicer (or any successor Servicer), intends, through a separate non-cash memorandum account, to account for, and ultimately credit to ratepayers, any amount remaining in the collection account and the various subaccounts (other than the capital subaccount) after its SPE's Debt Securities are paid in full, which include interest earnings on such accounts and RTC Charge collections that remain after

its SPE's Total Payment Requirements have been discharged. Such amounts will be released to the SPE in accordance with G.L. c. 164, § 1H(b)(7), upon discharge of its SPE's Total Payment Requirements. These benefits will inure to the benefit of ratepayers through a credit to their transition charge, or if there is no transition charge, through a credit to other rates.

G. SPE Administration and Other Transactions with each SPE.

Because each SPE will be a special-purpose, bankruptcy-remote entity with limited business activities, it is anticipated that each SPE will need to enter into an administration agreement (the "Administration Agreement") with Boston Edison or Commonwealth, as the case may be, pursuant to which such Company shall perform ministerial services and provide facilities for such SPE to ensure that it is able to perform such day-to-day operations as are necessary to maintain its existence and perform its obligations under the RRB Transaction documents. Each Administration Agreement incorporates provisions to ensure that Boston Edison or Commonwealth, as the case may be, will be paid a fee (the "Administration Fee") in an amount commensurate with its costs of performing such services and providing such facilities.

The Department authorizes each Company to enter into an Administration Agreement and other agreements as well as any other transactions with its SPE as may be necessary to carry out the RRB Transaction.

VI. FINDINGS

1. In the Settlement Agreement, the Restructuring Plan and subsequent filings pursuant to the Settlement Agreement and Restructuring Plan, and the Companies' Petition relating to the termination of obligations pursuant to the PPAs (D.T.E. 04-61 and D.T.E. 04-78) (a "Separate Proceeding"), the Department approved each Company's transition charge to recover on a fully reconciling basis all of such Company's transition costs, including the reimbursable transition costs amounts being securitized.

2. The actual amounts of the transition costs were approved as transition costs by the Department pursuant to the Settlement Agreement or the Restructuring Plan (including annual transition costs reconciliation proceedings related thereto), or were or will be approved pursuant to a Separate Proceeding in an order that becomes final and no longer subject to appeal prior to the filing with the SEC, of the final prospectus to be distributed to RRB investors.

3. Pursuant to the Settlement Agreement, the Restructuring Plan, including annual transition costs reconciliation proceedings, and any Separate Proceeding, the actual amounts of the liquidation payments associated with the termination of obligations under the PPAs and the transition costs deferred by Commonwealth pursuant to the Restructuring Plan have been approved by the Department and determined to be actual and fully mitigated for purposes of G.L. c. 164, § 1G(a). No audit of such amounts for purposes of G.L. c. 164, § 1G(a) is necessary. Pursuant to this Financing Order, the actual amounts of the transaction costs of issuing the RRBs, including any required credit enhancement, and ongoing transaction costs (other than legal and accounting fees and other miscellaneous fees), each of which will be set forth in the Issuance Advice Letters and fixed at or shortly after the time of RRB pricing, are hereby approved by the Department and determined as actual for purposes of G.L. c. 164, § 1G(a), and no audit of such amounts for purposes of G.L. c. 164, § 1G(a) is necessary.

4. This Financing Order approves as reimbursable transition costs amounts the transition costs described in the previous paragraph.

5. Each Company has proved to the Department's satisfaction that it has fully mitigated the transition costs sought to be securitized by such Company pursuant to this Financing Order for purposes of G.L. c. 164, § 1G(d)(4)(i). Each Company has complied with G.L. c. 164, § 1G(d)(1), which requires an electric company to take all reasonable steps to

mitigate to the maximum extent possible the total amount of transition costs such Company seeks to recover through securitization.

6. The amount of Debt Securities to be issued by the SPEs and RRBs to be issued by the RRB Trust as described in the Companies' Petition and testimony are reasonable.

7. The amount of necessary credit enhancement and any necessary adjustments thereto as described in the Companies' testimony or required by the rating agencies are reasonable.

8. The methodology to calculate net savings to the Companies' customers resulting from the RRB Transaction as described in the Companies' prefiled testimony is in compliance with G.L. c. 164, § 1G(d)(4)(ii). The RRB Transaction will result in net savings by reducing the future transition charges to each Company's customers than would otherwise be required to be paid by such customers if the RRB Transaction did not occur in accordance with G.L. c. 164, § 1H(b)(2). All such savings will inure to the benefit of ratepayers as demonstrated in such testimony in compliance with G.L. c. 164, § 1G(d)(4)(iii). So long as the Issuance Advice Letter filed by each of the Companies after pricing of the RRBs but prior to closing confirms savings to customers consistent with the methodology described, the RRB Transaction approved by this Financing Order will result in savings to the Companies' customers in accordance with G.L. c. 164, § 1H(b)(2).

9. Each Company, to the satisfaction and approval of the Department, has established an order of preference as described in the Companies' prefiled testimony such that the transition costs having the greatest impact on customer rates have been and will be the first to be reduced by securitization in compliance with G.L. c. 164, § 1G(d)(4)(iv).

10. The proposed structure of the RRB Transaction contemplates that RTC Charge remittances will be paid over to the Note Trustees daily, on or about the deemed collection date.

11. The Department finds that each Company's methodology for calculating the deemed collection date of RTC Charges is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections in accordance with the provisions of G.L. c. 164, § 1H(b)(8) based upon the Companies' accounting and billing information systems capabilities and finds that RTC Charges are deemed to be paid within one calendar month of collection.

12. Each Company's procedure of remitting to the Note Trustee, actual RTC Charges billed less an allowance for estimated charge-offs as described in the prefiled testimony, along with a periodic reconciliation of such remittances as described in the prefiled testimony, is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections and complying with G.L. c. 164, §§ 1H(b)(1) and 1H(b)(8).

13. The RTC Charge billing, collection and remittance procedures imposed upon any successor Servicer and any TPB as set forth in the Companies' testimony are reasonable.

14. In accordance with G.L. c. 164, § 1H(b)(2), the owner of the Transition Property will have the right to recover an aggregate amount equal to the Total Payment Requirements of the applicable SPE until such amounts have been discharged in full through continued assessment, collection and remittance of RTC Charges from all classes of retail users of the applicable Company's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from such Company or any third party generation supplier, and whether or not such distribution system is being operated by such Company or a successor distribution company. The RTC Charge will be a usage-based

component of retail users' monthly transition charge and may in the future include a pro rata component of any exit charge collected pursuant to G.L. c. 164, § 1G(g).

15. The methodology used to calculate the RTC Charge associated with the RRB Transaction and the periodic adjustments thereto as described in the Companies' testimony is reasonable and complies with G.L. c. 164, § 1H(b)(5).

16. Each Company's plan to account through a non-cash memorandum account, and ultimately credit ratepayers, for amounts remaining in the collection account and the various subaccounts (other than the capital subaccount) after its SPE's Debt Securities are paid in full is reasonable and in compliance with G.L. c. 164, § 1H(b)(7).

17. The sale of the Transition Property by each Company to its wholly-owned SPE shall be treated as an absolute transfer of all of such Company's right, title, and interest in such Transition Property, as in a legal true sale, and not as a pledge or other financing, of the Transition Property, in each case notwithstanding the following, which are hereby determined not to effect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in an SPE's Debt Securities or in the transaction documents which do not constitute recourse in violation of G.L. c. 164, § 1H(c)(1), (iii) such Company's continued collection of RTC Charges pursuant to the Servicing Agreement authorized by this Financing Order, or (iv) such Company's providing any credit enhancement to such SPE as described in the testimony.

18. The Debt Securities of each SPE and the RRBs will be non-recourse to the Companies and their respective assets, but will be secured by a pledge of all right, title and

interest of the SPE issuing such Debt Securities in its Transition Property and Other SPE Collateral in accordance with G.L. c. 164, § 1H(c)(1), (2).

19. The formation of an SPE by each Company, the capitalization of such SPE by such Company with an amount equal to approximately 0.50% of the initial principal balance of the RRBs allocable to such Company (the initial principal amounts of its SPE's Debt Securities) and entering into the Servicing Agreement, the Administration Agreement, other agreements and transactions by each Company and its SPE are necessary for the consummation of the RRB Transaction.

20. Pursuant to G.L. c. 164, § 1H(b)(3), the Commonwealth of Massachusetts has pledged and agreed that it shall not (i) alter the provisions of G.L. c. 164 which make the RTC Charges imposed by this Financing Order irrevocable and binding or (ii) limit or alter the reimbursable transition costs amounts, Transition Property, Financing Order, and all rights thereunder until the RRBs, together with the interest thereon, are fully discharged.

21. Pursuant to G.L. § 1H(b)(3), the Transition Property of each Company created by and subject to this Financing Order, and the RTC Charge for each Company authorized hereby shall be irrevocable, and the Department (or any successor thereto) does not have authority to revalue or revise for ratemaking purposes the reimbursable transition costs amounts, or determine that the reimbursable transition costs amounts or the RTC Charge is unjust or unreasonable, or in any way reduce or impair the value of the Transition Property either directly or indirectly by taking into account the RTC Charge when setting rates for either Company, nor should the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination.

22. The Department has received full and satisfactory documentation that with respect to this Financing Order, each Company has proved to the Department's satisfaction that it has complied with each requirement of G.L. c. 164, § 1G(d)(4) and the each requirement of G.L. c. 164, §§ 1G and 1H.

23. The amount of the annual Servicing Fees, payable semi-annually or more frequently, is a reasonable good faith estimate of an arms'-length, market-based fee for servicing the Debt Securities pursuant to the Servicing Agreements, as described in the Companies' testimony.

24. The Department finds that the SPE formed by each Company in connection with the RRB Transaction is not an "affiliated company" of either Company for purposes of clause (c) of G.L. c. 164, s.85.

25. The Settlement Agreement in Section 2.9(g) of Attachment 3 provides that Boston Edison's transition charge shall not exceed 3.35 cents/kWh. The Restructuring Plan (D.T.E. 98-78, Exhibit RHM-9, Section 1.2.1 on page 12) provides that Commonwealth's transition charge shall not exceed 4.08 cents/kWh.

26. The Department finds that in the event that an audit pursuant to G.L. c. 164, § 1G(a)(2) results in excess reimbursable transition costs amounts, a Company's providing a uniform rate credit through a residual value credit to its ratepayers rather than remitting payment to a financing entity with respect to such excess is reasonable.

27. The Department finds an exemption from the competitive bidding requirements of G.L. c. 164, § 15 in connection with the sale of RRBs is in the public interest.

28. The Department finds an exemption from the par value debt issuance requirements of G.L. c. 164, § 15A is in the public interest.

29. The Department's review and approval of the Settlement Agreement in D.P.U. Docket No. 96-23 and the Restructuring Plan in D.P.U./DTE 97-111 and 97-111-A satisfies the audit requirement under G.L. c. 164, § 1G(a)(1).

30. Each of Boston Edison and Commonwealth has completed the divestiture of all non-nuclear generation assets as required by G.L. c. 164, § 1G(d)(3).

31. The RRBs will be used to pay for mitigated transition costs related to G.L. c. 164, § 1G(b), in accordance with G.L. c. 164, § 1H(b)(4)(iv). To the extent the Department has approved or will approve the recovery of any transition costs, these costs constitute mitigated transition costs.

32. The Agencies have reviewed the Companies' Petition and this Financing Order and have indicated that the RRB Transaction satisfies all statutory requirements and contains provisions that should permit the RRBs to achieve the highest feasible credit ratings. The Agencies have indicated that they are not aware of any provision in the Financing Order beyond that required for the necessary legal opinions or which exceeds the requirements of the rating agencies in prior RRB transactions. The Agencies have also indicated that the estimated transaction costs negotiated or reviewed by the Agencies as described above in Section II(B) above, are reasonable and that they have approved, or, to the extent incurred after the date of the Financing Order, will have approved, these costs after issuance of the Financing Order but at or before the pricing of the RRBs.

33. The final terms and conditions of each SPE's Debt Securities and the RRBs, including the expected amortization tables, credit enhancement, the frequency of principal or interest payments, the interest rates on each SPE's Debt Securities and the RRBs, the manner of sale of the RRBs, the number and determination of credit ratings and the approval of final

transaction documents, will, to the extent consistent with the provisions of this Financing Order, be determined by the Companies and approved by the Agencies on behalf of the SPEs and the RRB Trust at or shortly after the time the RRBs are priced and after input from the rating agencies and the underwriters.

VII. ORDERS

1. The Petition of the Companies for this Financing Order pursuant to G.L. c. 164, § 1H is approved subject to the terms and conditions stated in the following paragraphs.

2. The findings included in the introduction to this Financing Order are adopted as findings by the Department and made a part of this Financing Order.

Creation of Transition Property and Reimbursable Transition Costs Amounts

3. The Companies are authorized to finance an aggregate total principal amount equal to the amount required to provide, recover, finance or refinance a portion of the Companies' transition costs (as defined in G.L. c. 164, §§ 1G and 1H) consisting of the liquidation payments associated with the termination of obligations under the PPAs, the recovery of transition costs deferred by Commonwealth pursuant to the Restructuring Plan, the transaction costs of issuing the RRBs, and the provision of any required credit enhancement (as hereinafter described, other than the initial capital to be contributed by each Company to its SPE). These amounts constitute reimbursable transition costs amounts (as defined in G.L. c. 164, § 1H(a)) and shall be financed through the issuance of Debt Securities by each SPE (and, ultimately, the RRBs by the RRB Trust). The Companies currently estimate that the principal amount of RRBs to be issued will be approximately \$675 million, subject to adjustment (which may be significant) based on the timing of the closing of the transactions terminating the PPAs and the issuance of the RRBs, the amount of Commonwealth's outstanding deferred transition costs at the time of issuance of the RRBs, the actual transaction costs (including any required credit enhancement),

input from the rating agencies or changes in the proposed transaction not now anticipated by the Companies. The repayment of such amounts shall be effected through the assessment and collection of an RTC Charge by each Company constituting a portion of each such Company's transition charge from which its SPE's Debt Securities (and ultimately the RRBs) to be issued will be repaid.

4. In the Settlement Agreement, the Restructuring Plan and subsequent filings pursuant to the Settlement Agreement and Restructuring Plan, the Department approved the Companies' respective transition charges to recover on a fully reconciling basis all of the Companies' transition costs, including the reimbursable transition costs amounts being securitized. Such transition costs, together with the transaction costs of issuing the RRBs, including the ongoing transaction costs and the provision of any required credit enhancement (other than each Company's initial capital contribution to its SPE), represent the reimbursable transition costs amounts subject to this Financing Order.

5. Each Company's separate transition charge, a component of which will be the separate RTC Charge, shall be assessed and collected from all classes of retail users of each such Company's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from such Company or any third party generation supplier, and whether or not such distribution system is being operated by such Company or a successor distribution company. The transition charge, including the RTC Charge, is a usage-based tariff on each retail user's monthly bill and may in the future include any exit charge collected pursuant to G.L. c. 164, § 1G(g). The RTC Charge remitted by each Company will be calculated separately by each Company and will be set at a level intended to recover the principal balance of (in accordance with the expected amortization schedule), and interest on, the Debt

Securities issued by such Company's SPE, together with the ongoing transaction costs incurred by or allocable to such Company for servicing such SPEs Debt Securities and the costs of servicing the RRBs, including the Servicing Fee, the Administration Fee, ongoing rating agency fees, fees for the trustees, legal and accounting fees and other miscellaneous fees and expenses. Ongoing transaction costs will also include any indemnity obligations of the SPEs in the RRB Transaction documents for the SPE officers and managers, liabilities of the RRB Trust, and liabilities to the underwriters related to the underwriting of the RRBs.

6. As of the effective date of this Financing Order, there is separately created and established for the benefit of each Company (or any assignee in accordance with the terms hereof) Transition Property which represents a continuously existing property right created pursuant to G.L. c. 164, § 1H, including, without limitation, the right, title, and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the reimbursable transition costs amounts established by this Financing Order that are allocable to such Company, including such amounts established in an Issuance Advice Letter, (b) the RTC Charge authorized by this Financing Order, including the initial RTC Charge set forth in an Issuance Advice Letter as may be adjusted from time to time in order to generate amounts sufficient to discharge an amount equal to the sum of each Company's Periodic Payment Requirements as authorized by paragraph 5 of this Financing Order, and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RTC Charge.

7. The RRB Transaction will result in net savings for each Company's customers by reducing the future transition charge payments that would be required to be paid by customers if this Financing Order were not adopted, in accordance with G.L. c. 164, § 1H(b)(2).

8. Each Company has proved to the Department's satisfaction that in accordance with G.L. c. 164, § 1G(d)(4): (i) such Company has fully mitigated the transition costs related to this Financing Order; (ii) savings to such Company's customers will result from the RRB Transaction; (iii) all such savings derived from the RRB Transaction shall inure to the benefit of such Company's customers; and (iv) such Company has established, with the approval of the Department, an order of preference such that transition costs having the greatest impact on customer rates have been or will be the first to be provided, recovered, financed or refinanced by the RRB Transaction.

Establishment of SPE

9. The establishment by each Company of a wholly-owned SPE described in the testimony to which the Transition Property subject to this Financing Order is to be sold is authorized pursuant to G.L. c. 164, §§ 17A and 76A and in accordance with all applicable Massachusetts law, rules and regulations.

10. The capitalization by each Company of its SPE with approximately 0.50% of the initial principal balance of RRBs allocable to such Company (the initial principal amount of the Debt Securities to be issued by such SPE), subject to prevailing market conditions at the time of RRB pricing, is authorized pursuant to G.L. c. 164, §§ 17A and 76A and in accordance with all applicable Massachusetts law, rules and regulations. Any other credit enhancement is either part of the periodic adjustment to the RTC Charge or will be included in the principal balance of the RRBs and the corresponding Debt Securities of the SPEs.

Sale of Transition Property

11. In accordance with G.L. c. 164, § 1H(c)(2), each Company is authorized to sell or assign all of its interest in Transition Property that arises from this Financing Order to its SPE.

Each SPE is authorized to acquire the Transition Property and is designated as a “financing entity” (as defined in G.L. c. 164, § 1H(a)) for such purpose, and for the purpose of pledging such Transition Property (and such other assets of such SPE as are pledged under the transaction documents) to the payment of such SPE’s Debt Securities (and, therefore, to the RRBs).

12. Upon the sale by each Company of the Transition Property to its SPE as described in paragraph 11 of this Financing Order, (i) such SPE shall have all of the rights originally held by such Company with respect to such Transition Property, including, without limitation, the right to exercise any and all rights and remedies, including the right to authorize the Servicer to shut-off electric power to the extent permitted by G.L. c. 164, §§ 116, 124I and applicable regulations, to assess and collect any amounts payable by any customer in respect of such Transition Property, notwithstanding any objection or direction to the contrary by such Company, as initial Servicer, or any successor Servicer, and (ii) any payment by any customer to such SPE shall discharge such customer’s obligations in respect of such Transition Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Servicer.

13. Upon the sale by each Company of the Transition Property to its SPE, such Company or any successor Servicer shall not be entitled to recover RTC Charges other than for the benefit of the holders of such SPE’s Debt Securities and the related RRBs in accordance with such Company’s duties as Servicer of such Transition Property as authorized in paragraphs 32 et seq. of this Financing Order.

14. The sale by each Company of the Transition Property to its SPE in accordance with G.L. c. 164, § 1H(f)(1) and in a manner described in such section shall be treated as an absolute transfer of all of such Company’s rights, title and interest in such Transition Property, as

a legal true sale, and not as a pledge or other financing, of the Transition Property, in each case notwithstanding the following, which are hereby determined not to affect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in Debt Securities or in the transaction documents which do not constitute recourse in violation of G.L. c. 164, § 1H(c)(1), (iii) such Company's continued collection of the RTC Charge pursuant to a Servicing Agreement authorized in paragraphs 32 et seq. of this Financing Order, or (iv) such Company's providing any credit enhancement to such SPE as described in the prefiled testimony.

15. In accordance with G.L. c. 164, § 1H(b)(2) and paragraph 5 of this Financing Order, an RTC Charge and its imposition, collection and payment as provided in this Financing Order shall be assessed and collected from all classes of retail users of each Company's respective distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from such Company or any third party generation supplier, and whether or not such distribution system is being operated by such Company or a successor distribution company. Each RTC Charge is a usage-based component of the transition charge on each retail user's monthly bill and may in the future include a pro rata component of any exit charge collected pursuant to G.L. c. 164, § 1G(g) until the Total Payment Requirements of such Company and its SPE are discharged in full.

16. In accordance with G.L. c. 164, § 1H(b)(3), this Financing Order, the reimbursable transition costs amounts arising from this Financing Order, and the RTC Charges authorized hereby shall be irrevocable, and the Department (or any successor entity) shall not have authority to revalue or revise for ratemaking purposes the reimbursable transition costs

amounts, or determine that such reimbursable transition costs amounts or the RTC Charge associated therewith is unjust or unreasonable, or in any way reduce or impair the value of Transition Property of either Company either directly or indirectly by taking into account the reimbursable transition costs amounts when setting rates for either such Company, nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination.

17. Each SPE, as owner of the Transition Property, the RRB Trust as holder of such SPE's Debt Securities and the holders of the RRBs, or any trustee acting therefor, shall be entitled to the benefit of the pledge and agreement of the Commonwealth of Massachusetts contained in G.L. c. 164, § 1H(b)(3), and the RRB Trust referred to in paragraph 22 hereof, as a financing entity under G.L. c. 164, § 1H and as agent for the Commonwealth of Massachusetts, is authorized to include this pledge and undertaking in any contracts with the holders of RRBs, or any trustees acting therefor.

18. In accordance with G.L. c. 164, § 1H(d)(3) and paragraph 6 of this Financing Order, the Transition Property created and established by this Financing Order shall constitute property from the effective date of this Financing Order for all purposes, including for the purpose of contracts relating to each SPE's Debt Securities and the RRBs, whether or not the revenues and proceeds arising with respect to RTC Charges have accrued at the time of this Financing Order.

19. In accordance with G.L. c. 164, § 1H(b)(6) and paragraph 6 of this Financing Order, the Transition Property created and established by this Financing Order shall constitute a current property right of the owner thereof or its assignee or transferee, which continuously exists for all purposes with all of the rights and privileges as provided in G.L. c. 164, § 1H from

the effective date of this Financing Order until the owner or its assignee or transferee has received RTC Charges sufficient to discharge the Total Payment Requirements of the particular SPE in full. In accordance with G.L. c. 164, § 1H(b)(3), such property right may not be limited, altered, impaired or reduced or otherwise terminated by any subsequent actions of either Company or any third party and shall, to the fullest extent permitted by law, be enforceable against such Company, its successors and assigns, and all other third parties, including judicial lien creditors, claiming an interest therein by or through such Company or its successors or assigns.

20. Pursuant to G.L. c. 164, § 1H(e), upon the effective date of this Financing Order there shall exist a statutory first priority lien on all Transition Property then existing or thereafter arising pursuant to the terms of this Financing Order. Such lien shall secure all obligations, then existing or subsequently arising, to the holders of RRBs, the trustee or representative for such holders, each SPE and the RRB Trust and shall arise by operation of law automatically without any action on the part of any Company or any other person. Such lien shall be valid, perfected, and enforceable upon the effectiveness of the Financing Order without any further public notice. Each Company expects to file a financing statement with respect to the Transition Property which will constitute a protective filing pursuant to G.L. c. 164, § 1H(e).

Debt Securities of the SPEs and the RRBs

21. Each SPE is authorized to issue Debt Securities and to pledge (i) all of its right, title and interest in its Transition Property, and (ii) any Other SPE Collateral which shall include without limitation, the rights of such SPE under the RRB Transaction documents, including the purchase agreement by which such SPE acquires the Transition Property, and the Servicing Agreement by which a Company or any successor Servicer acts as Servicer of the Transition

Property, the collection account and any subaccounts of such SPE contained in such SPE's collection account including the capital subaccount, the overcollateralization subaccount and the reserve subaccount, any investment earnings on amounts (other than earnings on the capital subaccount of an SPE, which earnings are to be returned as a distribution of capital by such SPE to such Company) held by such SPE, to secure such SPE's Debt Securities.

22. Each SPE and the RRB Trust authorized and created by the Agencies are each determined to be a financing entity for the purposes of G.L. c. 164, § 1H, and the RRB Trust is authorized to issue RRBs evidencing undivided beneficial interests in the Debt Securities of the SPEs. The longest expected maturity of the RRBs is expected to be approximately 8 years and the longest legal maturity is expected to be approximately 10 years (or longer, if required) in accordance with G.L. c. 164, § 1H(b)(4)(vi), and the principal of each of the SPE's Debt Securities, and thereby the RRBs, will be paid in substantially equal annual amounts.

23. The final terms and conditions of the SPEs' Debt Securities and the RRBs authorized by this Financing Order, including, without limiting the foregoing, the expected amortization tables, credit enhancement, frequency of principal or interest payments, the interest rates on the Debt Securities and the RRBs, the manner of sale of the RRBs, the number and determination of credit ratings, the approval of final transaction documents and certain transaction costs as set forth in Section II(B) above, shall, to the extent consistent with the provisions of this Financing Order, be determined by the Companies and approved by the Agencies at or shortly after the time the RRBs are priced and after input from the rating agencies and the underwriters.

24. The amount of the RRBs to be issued by the RRB Trust and of the Debt Securities to be issued by each SPE shall be determined as described in the prefiled testimony; and the net

proceeds of the SPEs' Debt Securities, and therefore, the RRBs, shall be used to pay for mitigated transition costs in accordance with G.L. c. 164, § 1H(b)(4)(iv).

25. The RRB Trust shall remit an allocable portion of the proceeds from the issuance of the RRBs authorized by this Financing Order, less underwriters' discount and original issue discount, to each SPE, which shall, in turn, remit such net proceeds, less its allocable share of certain transaction costs associated with the RRB Transaction, to Boston Edison or Commonwealth, as the case may be.

26. Each Company may apply the net proceeds of the RRBs allocable to it as described in the testimony (and as set forth in paragraphs 59 et seq. of this Financing Order).

27. The amounts necessary for credit enhancement for the Debt Securities and the RRBs and any subsequent adjustments thereto should be determined as described in the prefiled testimony, subject to the requirements of rating agencies and approval by the Agencies on behalf of the RRB Trust.

28. The net savings and lower transition charges resulting from the RRB Transaction should be calculated in accordance with the methodology set forth in the testimony and such savings will inure to the benefit of each Company's customers, directly or indirectly, as described in the testimony.

29. In accordance with G.L. c. 164, § 1H(c)(1), the RRBs and each SPE's Debt Securities shall be non-recourse to its parent Company and such Company's assets, other than the Transition Property, sold to its SPE and Other SPE Collateral subject to this Financing Order, provided nothing herein shall prevent either Company or its successors or assigns from (a) entering into the Servicing Agreement authorized pursuant to G.L. c. 164, § 1H(c)(3) and paragraphs 32 and 61 of this Financing Order, which arrangements may include the making of

representations, warranties and agreements and the providing of covenants and indemnities, not amounting to recourse, for the benefit of the holders of RRBs and its SPE's Debt Securities, and the making of remittances of amounts representing deemed collections of RTC Charges, (b) entering into agreements in connection with the sale and transfer of the Transition Property to its SPE, its sale of SPE's Debt Securities, which agreements may include representations and warranties with respect to, among other things, the validity of the Transition Property and the title thereto, and providing specific covenants, indemnities and repurchase obligations, not amounting to recourse, in connection with such transfer for the benefit of the holders of RRBs and such SPE's Debt Securities, (c) entering into an Administration Agreement with such SPE as further described in the testimony and authorized in paragraph 61 of this Financing Order and (d) capitalizing such SPE as described in paragraph 10 of this Financing Order.

Reports

30. Upon the issuance of RRBs and Debt Securities, each of the Companies shall file with the Department, for informational purposes, an Issuance Advice Letter, substantially in the form of Appendix A hereto, setting forth the final structural details of the RRBs and its SPEs' Debt Securities, including the repayment terms of such SPE's Debt Securities (in accordance with the expected amortization schedule), its initial RTC Charge, the amount necessary for credit enhancement, the identification of its SPE and the RRB Trust, its direct and allocable transaction costs of issuance and a calculation confirming net savings to such Company's customers as a result of the RRB Transaction. Such filing shall not be a condition to the effectiveness of this Financing Order or the issuance of RRBs or Debt Securities and shall be automatically effective upon filing.

31. Within 90 days following the closing of the RRB Transaction, and within 60 days of the end of each fiscal quarter thereafter until the proceeds have been applied in full, each Company shall file with the Department a report showing the use of such Company's allocable portion of RRB proceeds in compliance with paragraphs 59 et seq. of this Financing Order. Such filing shall not be a condition to the effectiveness of this Financing Order or the issuance of RRBs or Debt Securities.

Servicing of Debt Securities and RRBs

32. Each Company, as Servicer, or any successor Servicer is required in accordance with G.L. c. 164, § 1H(c)(3), to enter into a Servicing Agreement with its SPE pursuant to which it agrees to continue to operate its distribution system to provide service to its customers, to bill and collect RTC Charges for the benefit and account of such SPE or its assigns, and to account for and remit these amounts to or for the account of such SPE or its assigns. These components of the Servicing Agreement as further described in the testimony are authorized and approved.

33. Given each Company's current accounting and billing information systems capabilities, such Company's establishment of the deemed collection date, based on its historical collections experience, and its remittance and reconciliation procedure as more fully described in the testimony is in compliance with the provisions of G.L. c. 164, §§ 1H(b)(1), (8).

34. In the event of a default by a Servicer in remittance of RTC Charges, the Department will, in accordance with G.L. c. 164, § 1H(d)(5) and upon application by (i) the holders of RRBs, or the RRB Trustee as beneficiary of any statutory lien provided by G.L. c. 164, § 1H(e), (ii) an SPE or its assignees, or (ii) pledgees or transferees of the Transition Property and Other SPE Collateral, to order the sequestration and payment to or for the benefit of the SPE or such other party of the revenues arising with respect to the Transition Property.

35. In the event of a default by a Servicer under any Servicing Agreement with respect to Debt Securities, the affected SPE or the Note Trustee or representatives of the holders of such SPE's Debt Securities, may immediately appoint a successor Servicer for the Transition Property, subject to the approval of the Department, who shall promptly assume billing responsibilities for RTC Charges. The Department shall act on an expedited basis within 30 days to approve such successor Servicer. Such successor Servicer shall assume all rights and obligations under G.L. c. 164, § 1H and this Financing Order.

36. In accordance with G.L. c. 164, § 1H(b)(1), amounts collected from a customer of a Company shall be allocated first, pro rata based on the relative size of applicable RTC Charges, to the RTC Charges and other portions of the transition charge subject to other previous or subsequent financing orders, and second, to any remaining portion of the transition charge not the subject of a financing order, provided, however, as set forth in G.L. c. 164, § 1H(f)(1), such preferred right to revenues of a Company shall not impair or negate the characterization of the transfer of the Transition Property as a legal true sale as set forth in paragraph 14 of this Financing Order. The Department approves each Company's remittance procedure, with estimated charge-offs relating to RTC Charges and reconciliation of remittances, as more fully described in the prefiled testimony and finds that such remittance procedure based on such Company's accounting and billing information systems capabilities is in compliance with G.L. c. 164, § 1H(b)(1).

37. The Department will not approve or require any Servicer to replace a Company as Servicer in any of its servicing functions with respect to the RTC Charges and the Transition Property authorized by this Financing Order without determining that approving or requiring

such successor Servicer will not cause the then current credit ratings on the RRBs to be withdrawn or downgraded.

38. Any TPB that proposes to collect RTC Charges shall (i) meet the creditworthiness criteria to be established by the Department, and at a minimum, the criteria set forth and approved in paragraph 39 of this Financing Order; and (ii) comply with the billing, collection and remittance procedures and information access requirements set forth in the testimony, or such other procedures as the rating agencies may require.

39. The Department will not authorize a TPB to bill and collect the RTC Charge for remittance to a Company as Servicer (or any successor Servicer), unless (i) such TPB agrees to remit the full amount of RTC Charges it bills to retail end-users, regardless of whether payments are received from such end-users, within 15 days of such Company's (or any successor Servicer's) bill for such charges, (ii) such TPB shall provide such Company (or any successor Servicer) with total monthly kWh usage information in a timely manner for the Servicer to fulfill its obligations, as such information is the basis of such remittance and (iii) such Company (or any successor Servicer) will be entitled, within seven days after a default by the TPB in remitting any RTC Charges billed, to assume responsibility for billing all charges for services provided by such Company (or any successor Servicer), including the RTC Charges, or to switch responsibility to a third party. In addition, if and so long as such TPB does not maintain at least a 'BBB' (or the equivalent) long term unsecured credit rating from Moody's Investors Service or Standard & Poor's Rating Services, such TPB shall maintain, with the Servicer or as directed by the Servicer, a cash deposit or comparable security equal to one months' maximum estimated collections of RTC Charges, as agreed upon by such Company (or any successor Servicer) and

the TPB. In the event of a default in the remittance of RTC Charges by a TPB, such amount will be included in the periodic adjustment of the RTC Charge as described in the testimony.

40. Regardless of who is responsible for billing of the transition charge, such transition charge, a component of which will be the RTC Charge, will be assessed and collected from all classes of retail users of a Company's distribution system within the geographic service territory as in effect on July 1, 1997 whether or not energy is purchased from such Company or any third party generation supplier, and whether or not such distribution system is being operated by such Company or a successor distribution company. Such users will continue to be responsible for payment of the transition charge, a component of which will be the RTC Charge, billed, but not yet remitted, to the Servicer to the extent such user has not paid RTC Charges billed to it.

41. In the event of a failure of any retail user to pay an RTC Charge, the Servicer is authorized to shut-off power of such retail user in accordance with G.L. c. 164, §§ 116, 124A-124I and applicable regulations, at the direction of Boston Edison or Commonwealth, as the case may be, or any successor Servicer.

42. Each Servicer is authorized to implement the rate collection methods described in the testimony to ensure that the RTC Charge is nonbypassable pursuant to G.L. c. 164, § 1H(b)(2).

43. Each Company shall be entitled to a Servicing Fee. The Department approves each Servicing Fee as follows: A Servicer which bills the RTC Charge concurrently with other charges is entitled to receive an annual Servicing Fee, payable semi-annually or more frequently, of approximately 0.05% of the initial principal balance of its SPE's Debt Securities and a

Servicer that does not concurrently bill the RTC Charge with other service charges is entitled to receive a higher Servicing Fee of up to approximately 1.25% of such initial principal balance.

44. Each Company, as initial Servicer, may not voluntarily resign its duties as Servicer without prior written approval of the Department. Each Company shall remain as Servicer if such resignation will result in the reduction or withdrawal of the credit rating of the RRBs.

The RTC Charges: Establishment and Adjustment

45. The methodology used to calculate the RTC Charges associated with each SPE's Debt Securities and the RRBs, and to periodically adjust such RTC Charges, was described in the testimony, which methodology is approved.

46. Each RTC Charge, which will constitute Transition Property, will be filed initially by each Company with the Department in an Issuance Advice Letter and adjusted up or down, as necessary, in True-Up Advice Letters or Non-Routine True-Up Advice Letters. While not separately identified on each retail user's monthly bill, each monthly bill will note that the applicable RTC Charge, as a component of the transition charge, is being collected on behalf of an SPE, as owner of the Transition Property.

47. Each initial RTC Charge shall be filed in an Issuance Advice Letter, as provided in paragraph 30 of this Financing Order, which RTC Charge shall be effective upon filing.

48. In accordance with G.L. c. 164, § 1H(b)(5), each Company, as Servicer, or a successor Servicer, on behalf of the pledgees or transferees of the Transition Property, is authorized to file periodic RTC Charge adjustments to the extent necessary to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the Periodic Payment Requirements of its SPE, which may include indemnity obligations of such SPE in the

RRB Transaction documents for SPE officers and directors, trustee fees, liabilities of the RRB Trust and liabilities to the underwriters related to the underwriting of the RRBs. The Transition Property includes the right to obtain such adjustments.

49. Periodic RTC Charge True-Up Advice Letters shall be filed in substantially the form attached to this Financing Order as Appendix B and shall be completed in accordance with the methodology described in the prefiled testimony, which methodology is approved.

50. Annual RTC Charge adjustments shall be filed with the Department in True-Up Advice Letters. Adjustments to the applicable RTC Charge proposed by True-Up Advice Letters shall be filed with the Department each year, and resulting adjustments to such RTC Charge shall become effective the first day of the succeeding month, or such date as may be specified in the True-Up Advice Letter, as long as such effective date is at least 15 days after the filing of such True-Up Advice Letter.

51. True-Up Advice Letters may also be filed more frequently before the end of any calendar quarter or payment date (as defined in the RRB Transaction documents) and the resulting adjustments to the applicable RTC Charge will be effective the first day of the succeeding month, or such date as may be specified in the True-Up Advice Letter, as long as such effective date is at least 15 days after the filing of such True-Up Advice Letter.

52. So long as True-Up Advice Letters are filed in accordance with the adjustment calculation methodology approved in this Financing Order and substantially follow the form of True-Up Advice Letters attached as Appendix B to this Financing Order, no hearing or other action by the Department regarding such True-Up Advice Letter filings shall be required, and the resulting RTC Charge adjustments will be effective as provided herein and in such filings.

53. In the event that a Company determines that the methodology used to calculate the RTC Charge described in the prefiled testimony requires adjustment to more accurately project and generate adequate RTC Charge revenues, Non-Routine True-Up Advice Letters may be filed. Any Non-Routine True-Up Advice Letter and resulting adjustments to RTC Charges shall be effective within 60 days of such filing. Non-Routine True-Up Advice Letters are subject to the review and approval of the Department.

54. If, as a result of a true-up calculation, the RTC Charge would be increased above the transition charge then in effect, the transition charge shall, on the effective date of the RTC Charge adjustment, be increased to the amount of the RTC Charge, as so adjusted, subject to the 3.35 cents/kWh cap on the transition charge in the case of Boston Edison and 4.08 cents in the case of Commonwealth. If adjustments to the transition charge necessary to meet the required rate reduction in effect through February 28, 2005, or any continuation of the rate reduction, or a similarly required rate reduction, as a result of any subsequent or successor legislation, would cause the transition charge of a Company to fall below the required RTC Charge for its SPE's Debt Securities, the Department shall instead, effective as of the time of the RTC Charge adjustment, adjust components of such Company's rate and charges, other than the RTC Charge, as necessary to satisfy such rate reduction requirement. If, as a result of such adjustment, such Company is not allowed to collect on a current basis any rate or charge which it would be allowed to collect but for the adjustment of such rate or charge required to maintain the RTC Charge, the portion of such other rate or charge that is not collected on a current basis shall be deferred at the carrying charge from time to time in effect applicable to that portion of the transition charge not constituting the RTC Charge; provided, however, that this provision for deferral of uncollected rates or charges shall apply solely to adjustments required to maintain the

RTC Charge as provided herein and nothing in this Order 54 shall affect the Department's legal authority to make a separate determination to adjust such Company's rates and charges on any other basis.

Advice Filings for Tariff Language

55. Each Company is authorized to establish by an Issuance Advice Letter filing the applicable initial RTC Charge for such Company and by the true-up letter filings, subsequent adjustments, up or down, to such RTC Charge. The RTC Charge will represent a component of the Company's applicable transition charge.

Reconciliation of the RTC Charge

56. As required by G.L. c. 164, § 1G(a)(2), each Company shall permit the Department, at such Company's expense, to audit, review and reconcile the difference, if any, between assumed reimbursable transition costs amounts and the actual reimbursable transition costs amounts, not less often than once during each 18 month period following the effective date of this Financing Order. Such audit, review and reconciliation shall not include the actual amounts approved in the findings of this Financing Order and known at the time of pricing of the RRBs and filing of the Issuance Advice Letters. Through the Settlement Agreement, the Restructuring Plan and the subsequent filings pursuant to the Settlement Agreement and Restructuring Plan, the Department has established and authorized as actual and fully mitigated for purposes of G.L. c. 164, § 1G(a)(2), the reimbursable transition costs amounts to be securitized under this Financing Order. In this Financing Order, the Department has established and authorized as actual for purposes of G.L. c. 164, § 1G(a)(2), the transaction costs of issuance, ongoing transaction costs (other than legal and accounting fees and other miscellaneous fees) and any credit enhancement (collectively with the above transition costs, the "actual

reimbursable transition costs amounts”). No audit of any Company pursuant to G.L. c. 164, § 1G(a)(2) is necessary with respect to such actual reimbursable transition costs amounts and the Department shall not conduct or require any audit of such amounts.

57. To the extent that an audit under G.L. c. 164, § 1G(a)(2) is required subject to paragraph 56 of this Financing Order, if the amount of reimbursable transition costs amounts, other than actual reimbursable transition costs amounts (as defined in paragraph 56 of this Financing Order), exceeds the actual amount of such reimbursable transition costs amounts as shown by the audit, then the applicable Company, upon order of the Department, shall provide ratepayers with a uniform rate credit through the mechanism of its residual value credit and annual transition charge update as described in the Settlement Agreement or Restructuring Plan, as the case may be.

58. No such uniform rate credit shall in any way diminish or affect the right of a Company or its assignee or pledgee to collect RTC Charges in amounts necessary to provide for the payment of an amount equal to the sum of its SPE’s Periodic Payment Requirements as the same become due, nor shall any such rate credit impair or negate the characterization of the transfer of the Transition Property as a true sale as set forth in paragraph 14 of this Financing Order nor shall any such rate credit reduce or impair the value of the Transition Property as proscribed by paragraph 16 of this Financing Order.

Use of RRB Proceeds

59. The Companies expect to use their allocable share of the proceeds of the RRBs for the following purposes: (a) to fund the PPA liquidation payments to MASSPOWER and Dartmouth; (b) to provide any credit enhancement required for the RRBs (other than the initial funding of the capital subaccounts); and (c) to pay, or reimburse the Companies for transaction

costs. In addition, Commonwealth may use the proceeds to reduce its capitalization and for general corporate purposes.

60. Each Company's use of its allocable portion of the net RRB proceeds is authorized and approved. Each Company has proved to the Department's satisfaction that it has established an order of preference such that the transition costs having the greatest impact on customer rates have been or will be the first to be provided, recovered, financed or refinanced by the RRB Transaction in accordance with G.L. c. 164, § 1G(d)(4).

Approval of Servicing Agreement, Administration Agreement and Other Agreements or Transactions

61. Each Company's entering into the Servicing Agreement, the Administration Agreement and other RRB Transaction documents with its SPE as described herein and other transaction documents and other dealings between such Company and such SPE contemplated by the RRB Transaction are authorized pursuant to G.L. c. 164, §§ 17A and 76A and in accordance with all applicable Massachusetts law, rules and regulations. Such agreements and RRB Transaction documents shall comply with this Financing Order and shall not impair or negate the characterization of the sale, assignment or pledge as an absolute transfer, a true sale, or security interest as applicable.

Accounting for Certain Benefits

62. Any amounts accounted for in the reserve subaccount, which represents prior collections in excess of prior Periodic Payment Requirements, at the time that a Company calculates a periodic RTC Charge adjustment will be incorporated in such adjustment, in accordance with G.L. c. 164, § 1H(b)(7). Each Company, as initial Servicer (or any successor Servicer), intends, through a separate non-cash memorandum account, to account for, and

ultimately credit to ratepayers, any amounts remaining in the collection account and the various subaccounts (other than the capital subaccount) after its SPE's Debt Securities are paid in full, which include interest earnings on such subaccounts, or RTC Charge collections that remain after the SPE's Total Payment Requirements have been discharged. Such amounts will be released to the SPE in accordance with G.L. c. 164, § 1H(b)(7), upon retirement of such SPE's Total Payment Requirements. These benefits will inure to the benefit of ratepayers through a credit to their transition charge or if there is no transition charge, through a credit to other rates.

63. The Department confirms that, as provided in the Settlement Agreement, Boston Edison's transition charge shall not exceed 3.35 cents/kWh and that this cap is not subject to reduction. The Department confirms that, as provided in the Restructuring Plan, Commonwealth's transition charge shall not exceed 4.08 cents/kWh and that this cap is not subject to reduction.

64. The Department grants an exemption from the competitive bidding requirements of G.L. c. 164, § 15 in connection with the sale of RRBs.

65. The Department grants an exemption from the par value debt issuance requirements of G.L. c. 164, § 15.

66. This order hereby incorporates those findings and determinations that transition costs are securitizable as defined in G.L. c. 164, as reached by the Department in an order that becomes final and no longer subject to appeal prior to the filing with the SEC of the final prospectus to be distributed to RRB investors.

Appendix A

ISSUANCE ADVICE LETTER

[date]

ADVICE_____

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY (THE “DEPARTMENT”) OF THE COMMONWEALTH OF MASSACHUSETTS

SUBJECT: Issuance Advice Letter for Electric Rate Reduction Bonds (“RRBs”). Pursuant to D.T.E. 04-70 (the “Financing Order”), [Boston Edison Company (“Boston Edison” or the “Company”)] [Commonwealth Electric Company (“Commonwealth” or the “Company”)] hereby transmits for filing, on or about the pricing date of the RRBs, the initial RTC Charge for the Company relating to the RRBs.¹ This Issuance Advice Letter is for the RRB series Massachusetts RRB Special Purpose Trust BEC/CEC Rate Reduction Certificates class(es)_____. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

PURPOSE

This filing establishes the following:

- (a) the actual terms of the RRBs and Debt Securities being issued;
- (b) confirmation of ratepayer savings;
- (c) the initial RTC Charge for the Company’s retail users;
- (d) the identification of the Transition Property to be sold to a special purpose entity (the “SPE”); and
- (e) the identification of the SPE;

BACKGROUND

In the Financing Order, the Department authorized each of Boston Edison Company and Commonwealth Electric Company to file an Issuance Advice Letter when pricing terms for a

¹ As authorized in D.T.E. 04-70, the RTC Charge and Transition Property of both Boston Edison and Commonwealth Electric Company will support a single issue of RRBs. The terms of the RRBs established and authorized in this Issuance Advice Letter are the same for Boston Edison and Commonwealth.

series of RRBs have been established. This Issuance Advice Letter filing incorporates the methodology for determining the RTC Charge approved and authorized by the Department in the Financing Order to establish the initial RTC Charge for a series of RRBs and establishes the initial RTC Charge to be assessed and collected from all classes of retail users of the Company's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from the Company or any third party generation supplier, and whether or not such distribution system is being operated by the Company or a successor distribution company. The RTC Charge is a usage-based component of the transition charge on each retail user's monthly bill, and may include in the future a component of any exit charge collected pursuant to G.L. c. 164, § 1G(g) until the Total Payment Requirements of the Company's SPE are discharged in full.

ACTUAL TERMS OF ISSUANCE

RRB Name:

RRB Issuer:

RRB Trustee(s):

Note Trustee:

Closing Date:

Bond Rating:

Amount Issued:

Amount Allocable to the Company (amount of the SPE's Debt Securities):

Transaction costs of issuance (the Company only): See Attachment 1

Ongoing transaction costs (the Company only): See Attachment 2

Coupon Rate(s):

Call Features:

Massachusetts Tax Exempt (yes/no):

Expected Principal Amortization Schedule of the Debt Securities: See Attachment 3

Expected Final Maturity:

Legal Final Maturity:

Distributions to Investors (quarterly or semi-annually):

Annual Servicing Fee as a percent of the initial Debt Securities principal balance:

Overcollateralization amount for the Debt Securities: _____

Confirmation of Ratepayer Savings

The Financing Order requires the Company to demonstrate, using the savings methodology approved in D.T.E. 04-70, that the actual terms of the RRB Transaction result in net savings to the Company's customers. Attached to this Issuance Advice Letter is a spreadsheet calculation which shows expected net savings of \$___ million for the Company's allocable portion of this series of RRBs. See Attachment 4.

Initial RTC Charge

Table I below shows the current assumptions for each of the variables used in the Company's RTC Charge calculation.

TABLE I
INPUT VALUES FOR RTC CHARGES

Forecasted annual retail kWh sales (net of estimated charge-offs):

Percent of billed amounts expected to be charged-off:

Weighted average days sales outstanding:

(calculated as follows)

Percent of billed amounts collected in current month:

Percent of billed amounts collected in second month after billing:

Percent of billed amounts collected in third month after billing:

Percent of billed amounts collected in fourth month after billing:

Percent of billed amounts collected in fifth month after billing:

Forecasted annual ongoing transaction expenses²:

Required annual overcollateralization amount (the Company only):

Current SPE Debt Securities outstanding balance (the Company only):

Expected SPE Debt Securities outstanding balance (the Company only) as of ____/____/____:_____

The initial RTC Charge calculated for retail users is as follows: _____ ¢/kWh

Transition Property

Transition Property is the property described in G.L. c. 164, § 1H(a) relating to the RTC Charge set forth herein, including, without limitation, the right, title, and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the

² On-going transaction expenses pro-rated for the initial interest period, which commences on the closing date ([/05]) and ends on the first payment date (9/15/05).

reimbursable transition costs amounts established by the Financing Order including such amounts established in the Issuance Advice Letter, (b) the RTC Charge authorized by the Financing Order including the initial RTC Charge set forth in the Issuance Advice Letter, as may be adjusted from time to time in order to generate amounts sufficient to discharge the Total Payment Requirements of the SPE, and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RTC Charge.

This RTC Charge, as adjusted from time to time, shall remain in place until the SPE's Total Payment Requirements are discharged in full.

Identification of SPE

The owner of the Transition Property (the "SPE") will be:

The SPE shall be considered a financing entity for purposes of G.L. c. 164, § 1H.

EFFECTIVE DATE

In accordance with the Financing Order, the RTC Charge shall be automatically effective when filed and will continue to be effective, unless it is changed by subsequent Issuance Advice Letter, True-Up Advice Letter, or Non-Routine True-Up Advice Letter.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at the Company's corporate headquarters.

Enclosures

ATTACHMENT 1

TRANSACTION COSTS OF ISSUANCE

	<u>Total</u>	<u>Commonwealth</u>	<u>Boston Edison</u>
Underwriting spread			
Rating agency fees			
Accounting fees			
SEC registration fee (____%)			
D.T.E. filing fee (\$750 for first million plus \$150 for each additional million)			
Printing and marketing expenses			
Trustee fees and counsel			
Legal fees and expenses*			
Agency fees			
Original issue discount			
Lender consent fees**			
Miscellaneous costs			
Total transaction costs of issuance			
\$_____			
* Includes: \$_____ for underwriters' counsel, \$_____ for the Agencies' counsel; \$_____ for the Companies' corporate and regulatory counsel.			
* * Applicable only to Commonwealth			

ATTACHMENT 2

ONGOING TRANSACTION COSTS (ANNUAL)

<u>Ongoing Costs</u>	<u>Total</u>	<u>Commonwealth</u>	<u>Boston Edison</u>
Administration fee			
Rating agency fees			
Trustee Fees			
Accounting/legal fees			
Servicing fee (approximately .05% of initial principal balance)[*]			
Overcollateralization amount			
Miscellaneous[**]			
Total estimated costs \$_____			

[*] These costs will include: Billing, collecting and remitting the RTC Charges; calculating daily amount of remittances to the Note Trustee; Wire transfers of daily remittances to the Note Trustee; preparation of monthly services reports for Note Trustee and rating agencies; preparing semi-annual servicer report for trustee; managing and investing the various SPE cash accounts; reflecting all transactions on the financial statements; performing periodic reconciliations with the trustee; performing annual true-up and adjusting RTC Charge, as necessary; and maintaining memorandum account, if any.

[**] These costs would include any contingent liabilities arising in connection with indemnity provisions in the RRB Transaction documents to which the Company is a party.

ATTACHMENT 3
EXPECTED AMORTIZATION SCHEDULE
(Debt Securities)

ATTACHMENT 4
RATEPAYER SAVINGS

Appendix B

(ROUTINE) TRUE-UP ADVICE LETTER

[date]

ADVICE_____

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY (THE “DEPARTMENT”)
OF THE COMMONWEALTH OF MASSACHUSETTS

SUBJECT: Periodic RTC Charge True-Up Mechanism Advice Filing Pursuant to D.T.E. 04-70 (the “Financing Order”), [Boston Edison Company (“Boston Edison”)] [Commonwealth Electric Company (“Commonwealth”)] as servicer of the RRBs or any successor Servicer and on behalf of the trustee as assignee of the special purpose entity (the “SPE”) may apply for adjustment to the RTC Charge annually and at such additional intervals as may be provided for in the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

PURPOSE

This filing establishes the revised RTC Charge to be assessed and collected from all classes of retail users of [Boston Edison’s] [Commonwealth’s] distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from [Boston Edison] [Commonwealth] or any third party generation supplier, and whether or not such distribution system is being operated by [Boston Edison] [Commonwealth] or a successor distribution company. The RTC Charge is a usage-based component of the transition charge on each retail user’s monthly bill and may include in the future a component of any exit charge collected pursuant to G.L. c. 164, § 1G(g) until the Total Payment Requirements of the Company’s SPE are discharged in full. In the Financing Order, the Department authorized [Boston Edison] [Commonwealth] to file Routine True-Up Advice Letters and at such additional intervals, if necessary, as provided for in the Financing Order. [Boston Edison] [Commonwealth], or a successor Servicer, is authorized to file periodic RTC Charge

adjustments to the extent necessary to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the sum of the Periodic Payment Requirements (as defined in the Financing Order), which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees, liabilities of the special purpose trust and liabilities to the underwriters related to the underwriting of the RRBs. Routine True-Up Advice Letter filings are those where [Boston Edison][Commonwealth] uses the methodology approved by the Department in DTE Docket No. 04-70 to adjust upward or downward the existing RTC Charge.

Using the methodology approved by the Department in the Financing Order, this filing modifies the variables used in the RTC Charge calculation and provides the resulting modified RTC Charge. Table I shows the revised assumptions for each of the variables used in calculating the RTC Charge for retail users. The assumptions underlying the current RTC Charges were filed in an Issuance Advice Letter, dated _____.

Table I below shows the current assumptions for each of the variables used in the RTC Charge calculation.

TABLE 1

INPUT VALUES FOR RTC CHARGE

Forecasted annual retail kWh sales:

Percent of billed amounts expected to be charged-off:

Weighted average days sales outstanding:

(calculated as follows)

Percent of billed amounts collected in current month:

Percent of billed amounts collected in second month after billing:

Percent of billed amounts collected in third month after billing:

Percent of billed amounts collected in fourth month after billing:

Percent of billed amounts collected in fifth month after billing:

Annual ongoing transaction expenses (Company only):

Current SPE Debt Securities outstanding balance:

Expected SPE Debt Securities outstanding balance as of ____/____/____:_____

Deferred unpaid SPE Debt Securities principal:

Accrued but unpaid SPE Debt Securities interest:

Unpaid ongoing transaction costs (Company only):

Required annual overcollateralization amount:

Deficiency in capital subaccount:

Deficiency in overcollateralization subaccount:

Amount in reserve subaccount:

The adjusted RTC Charge calculated for retail users is as follows: _____ ¢/kWh

EFFECTIVE DATE

In accordance with the Financing Order, Routine True-Up Advice Letters for annual RTC Charge adjustments shall be filed annually or more frequently, if necessary, with the resulting changes to be effective no sooner than 15 days after the filing of this Routine True-Up Advice Letter. No resolution by the Department is required. Therefore, these RTC Charges shall be effective as of _____.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at [Boston Edison's][Commonwealth's] corporate headquarters.

Enclosures

)	
Petition of Boston Edison Company and)	
Commonwealth Electric Company)	
for Approvals Relating to the Issuance of)	D.T.E. 04-70
Rate Reduction Bonds Pursuant to G.L. c. 164, § 1H)	
)	

I. INTRODUCTION

On this date, Boston Edison Company (“Boston Edison”) and Commonwealth Electric Company (“Commonwealth”) d/b/a NSTAR Electric (“NSTAR Electric” or the “Companies”) filed with the Department of Telecommunications and Energy (the “Department”) a Petition (the “Petition”) for Approvals Relating to the Issuance of Rate Reduction Bonds (“RRBs”). The Petition seeks a financing order (the “Financing Order”) from the Department approving the issuance of RRBs, pursuant to G.L. c. 164, §§ 1G and 1H and the Boston Edison Restructuring Settlement Agreement approved by the Department in D.P.U./D.T.E. 96-23 (the “Settlement Agreement”) and Commonwealth’s restructuring plan (the “Restructuring Plan”) approved by the Department in D.P.U./D.T.E. 97-111 and D.P.U./D.T.E. 97-111-A.¹

The Financing Order will provide for: (a) the securitization (as such term is used in G.L. c. 164, §§ 1G and 1H) through RRBs of reimbursable transition costs amounts of approximately \$675 million consisting of the liquidation payments associated with the termination of certain power purchase agreements (the “PPAs”) between the Companies and MASSPOWER and between Commonwealth and Dartmouth PPA Holdings LLC (“Dartmouth Holdings”), the recovery of transition costs deferred by Commonwealth pursuant to the Restructuring Plan, transaction costs arising in connection with the issuance of the RRBs, and the provision of any required credit enhancement as described below; (b) the establishment of a portion of the Companies’ transition or access charges as transition property from which RRBs to be issued will be repaid; (c) the organization and capitalization of a special purpose entity by each of the Companies to which the transition property of each of the Companies will be sold; (d) the servicing of RTC Charges by

(footnote continued...)

As part of the Companies' filing, the Companies have submitted exhibits that, in part, include information regarding: (1) the Companies' projections of future energy prices and its forecasts of payments to be made pursuant to its existing purchase power agreements with MASSPOWER and Dartmouth Holdings, and PPAs with other parties (Exhibit NSTAR-COM-GOL-3, pages 13 through 15); (2) the Companies' projections of future energy prices and its forecasts of payments to be made pursuant to Boston Edison and Commonwealth's Termination Agreement with MASSPOWER and Commonwealth's Purchase and Sale Agreement with Dartmouth Holdings (Exhibit NSTAR-COM-GOL-4, pages 13 through 15); and (3) the buyout amounts for MASSPOWER and Dartmouth Holdings, as reflected in the securitization amount relating to each agreement (Exh. NSTAR-GOL-1).² For the reasons set forth below, the Companies seek a protective order from the Department to prohibit public disclosure of this proprietary, confidential and sensitive competitive information reflected in each of these exhibits (the "Confidential Documents").

(...footnote continued)

each of Boston Edison and Commonwealth, as the initial servicers for their respective transition property ("Servicers"), or any successor Servicers, under servicing agreements and (e) the granting of exemptions to the Companies from the competitive bid and par-value debt-issuance requirements of G.L. c. 164.

² NSTAR Electric has agreed with MASSPOWER and Dartmouth Holdings, respectively, to protect the buyout amounts (see D.T.E. 04-61, Petition, Appendix A — NSTAR Electric/MASSPOWER Termination Agreement at § 10; D.T.E. 04-78, Petition, Appendix A — Commonwealth/Dartmouth Holdings Purchase and Sale Agreement; § 9.19). The disclosure of this information would compromise NSTAR Electric's ability to negotiate additional PPA termination agreements and would undermine MASSPOWER's and Dartmouth Holding LLC's ability to consummate their respective transactions with NSTAR Electric as described in more detail herein.

II. LEGAL STANDARD

Confidential information may be protected from public disclosure in accordance with G.L. c. 25, § 5D, which states in part that:

The [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be on the proponent of such protection to prove the need for such protection. Where the need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

In interpreting the statute, the Department has held that:

. . . [T]he burden on the company is to establish the need for protection of the information cited by the company. In determining the existence and extent of such need, the Department must consider the presumption in favor of disclosure and the specific reasons why disclosure of the disputed information benefits the public interest.

The Berkshire Gas Company et al., D.P.U. 93-187/188/189/190, at 16 (1994) as cited in Hearing Officers Ruling On the Motion of Boston Gas Company for Confidentiality, D.P.U. 96-50, at 4 (1996).

In practice, the Department has often exercised its authority to protect sensitive market information. For example, the Department has determined specifically that competitively sensitive information, such as price terms, are subject to protective status:

The Department will continue to accord protective status when the proponent carries its burden of proof by indicating the manner in which the price term is competitively sensitive. Proponents generally will face a more difficult task of overcoming the statutory presumption against the disclosure of other terms, such as the identity of the customer.

Standard of Review for Electric Contracts, D.P.U. 96-39, at 2, Letter Order (August 30, 1996). See also Colonial Gas Company, D.P.U. 96-18, at 4 (1996) (the Department determined that price terms were protected in gas supply contracts and allowed Colonial

Gas Company's request to protect pricing information including all "reservation fees or charges, demand charges, commodity charges and other pricing information").

Moreover, the Department has recognized that competitively sensitive terms in a competitive market should be protected and that such protection is desirable as a matter of public policy:

The Department recognizes that the replacement gas purchases . . . are being made in a substantially competitive market with a wide field of potential suppliers. This competitive market should allow LDC's to obtain lower gas prices for the benefit of their ratepayers. Clearly the Department should ensure that its review process does not undermine the LDC's efforts to negotiate low cost flexible supply contracts for their systems. The Department also recognizes that a policy of affording contract confidentiality may add value to contracts and provide benefits to ultimate consumers of gas, the LDC's ratepayers, and therefore may be desirable for policy reasons.

The Berkshire Gas Company et al., D.P.U 93-187/188/189/190, at 20 (1994).

III. THE CONFIDENTIAL DOCUMENTS ARE PROPRIETARY, CONFIDENTIAL AND SENSITIVE AND WARRANT PROTECTION FROM PUBLIC DISCLOSURE

The Companies request confidential treatment of information relating to their projections of the market value of their existing PPAs and the projected costs to be incurred in future years for PPAs. The Confidential Documents contain the Companies' projections³ of: (1) the annual dollars to be paid under each of their existing PPAs; (2) the Companies' projections relating to market prices of the electricity delivered under each of their existing PPAs; and (3) the projections of the annual above-market value of each of their existing PPAs.

³ In some cases, the projections are not directly set forth, but can be computed with the data included in the page.

The Companies are seeking protected treatment for these Confidential Documents for several reasons. First, the market forecast data is considered proprietary by the company that produced it, and was provided to the Companies pursuant to a confidentiality agreement. More importantly, however, these projections must be protected from public disclosure because the Companies use this information to evaluate other PPA mitigation proposals. The Companies, as well as Cambridge Electric Light Company, have not yet completed the divestiture of all of their existing PPAs and are in active negotiations with other parties. If other parties had access to the details of the Companies' updated projections and assumptions regarding future energy prices and the value of their existing PPAs, the Companies' ability to negotiate the best deals possible on behalf of customers would be compromised. In fact, public release of the information in the Confidential Documents will disclose the very types of information that the Department has previously and consistently held to be confidential because the release of such information would "seriously undermine" the Companies' negotiating position and thus, result in customers not realizing the maximum amount of mitigation. Western Massachusetts Electric Company, D.T.E. 99-101, at 3 (2000), citing Boston Edison Company, D.T.E. 99-16 (1999); Western Massachusetts Electric Company, D.T.E. 99-56 (1999). See also Canal Electric Company/Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 02-34 (Tr. A at 19 (June 12, 2002)) and Cambridge Electric Light Company, D.T.E. 01-94 (May 9, 2002 Approval by the Department of Amended Motion of Cambridge Electric Light Company for a Protective Order).

Similarly, the Department has explicitly acknowledged the potential harm to the

purchasing utility from the disclosure of buyout amounts: "...protection from public disclosure of a buyout amount is appropriate since that information is an indication of a company's forecast of market prices for power, projected market electricity prices, capacity factors and discount rates." Western Massachusetts Electric Company, D.T.E. 99-101, at 3 (2000), citing Boston Edison Company, D.T.E. 99-16 (1999); Western Massachusetts Electric Company, D.T.E. 99-56 (1999). The Department has found this to be particularly important where, as here, the PPA assignment at issue is but one of many that the utility is seeking to terminate or restructure:

The PPA at issue here is but one of several that WMECo may negotiate. Disclosing the results here would permit future negotiating opponents to make inferences about WMECo's confidential negotiating strategy. Given the confidential nature of this competitively sensitive material, the Department finds that public disclosure of this buyout amount could prove detrimental to WMECo, because it might seriously undermine the Company's ability to maximize mitigation efforts and substantially harm WMECo's negotiating position for other PPAs.

Id.

In addition, disclosure of the information in Exh. NSTAR-GOL-1 would adversely affect the ability of MASSPOWER and Dartmouth Holdings LLC to facilitate the respective termination agreements with NSTAR Electric by negotiating restructurings of other supply contracts, which currently support the operation of MASSPOWER and Dartmouth Holdings LLC (see D.T.E. 04-61 (Boston Edison/Commonwealth Motion for Protective Treatment, Affidavit of Jeffrey W. Bentz, General Manager of MASSPOWER); D.T.E. 04-78 (Commonwealth Motion for Protective Treatment, Affidavit of Michael J. Miller, Chief Executive Officer of Dartmouth Holdings LLC)). If counterparties to those supply contracts have access to the specific pricing terms of the NSTAR Electric/MASSPOWER Termination Agreement or the

Commonwealth/Dartmouth Holdings Purchase and Sale Agreement, it would significantly impair MASSPOWER's and Dartmouth Holdings LLC's respective negotiating positions with these counterparties (see D.T.E. 04-61 (NSTAR Electric Motion for Protective Treatment, Affidavit of Jeffrey W. Bentz, General Manager of MASSPOWER, at ¶ 7); D.T.E. 04-78 (Commonwealth Motion for Protective Treatment, Affidavit of Michael J. Miller, Chief Executive Officer of Dartmouth Holdings LLC, at ¶ 7)).

Accordingly, both the information and the Companies' strategic use of the information presented in the Confidential Documents should be protected from public disclosure through the issuance of a protective order because the information is proprietary, confidential and competitively sensitive. The disclosure of this sensitive information would undermine the Companies' ability to maximize mitigation efforts, which inures to the benefit of the Companies' customers. The Department has protected similar information relating to analyses of the benefits of restructured or terminated PPAs submitted in previous proceedings. Therefore, the Companies request that the Department protect the market price and related analysis in the Confidential Documents from public disclosure, consistent with G.L. c. 25, § 5 and Department precedent.

IV. CONCLUSION

The Companies respectfully request that the Confidential Documents be held confidential, not be placed in the public docket and be disclosed only to the Department. Parties to the case may request to review the exhibits, subject to the terms of a mutually agreed Non-Disclosure Agreement. This approach will allow the Department and parties

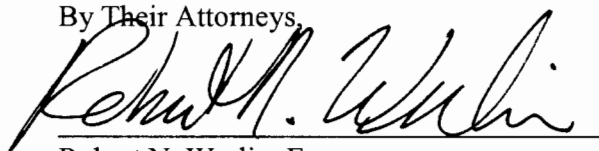
to the proceeding to review the Companies' analysis of the Petition while ensuring that proprietary, confidential and sensitive information will remain confidential.

WHEREFORE, for the reasons set forth herein, the Companies respectfully request that the Department allow the Company's Motion for a Protective Order.

Respectfully submitted,

**BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY**

By Their Attorneys,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", is written over a horizontal line.

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Date: August 31, 2004

**BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY
d/b/a NSTAR ELECTRIC**

Direct Testimony of John Fernando on Securitization

EXHIBIT NSTAR-JF

D.T.E. 04-70

1 **Q. Please state your name and business address for the record.**

2 A. My name is John Fernando, and my business address is 745 7th Avenue, New
3 York, NY 10019.

4 **Q. Briefly describe the role of Lehman Brothers in the proposed transaction.**

5 A. Lehman Brothers Inc. (“Lehman Brothers”) has been selected by the
6 Massachusetts Health and Educational Facilities Authority and MassDevelopment
7 (together, the “Agencies”) to provide advisory and underwriting services in
8 connection with the proposed issuance of electric rate reduction bonds (the “RRB
9 Transaction”) by Boston Edison Company (“Boston Edison”) and Commonwealth
10 Electric Company (“Commonwealth” and together with Boston Edison, the
11 “Companies”). Lehman Brothers is acting jointly with Goldman, Sachs & Co. as
12 book running lead manager. However, I am testifying as a representative of
13 Lehman Brothers and not on behalf of any other underwriter or syndicate.
14 Lehman Brothers also served in a similar capacity with respect to the rate
15 reduction bond (“RRBs”) transaction completed by Boston Edison in 1999.

16 **Q. Please describe your present responsibilities at Lehman Brothers.**

17 A. I am a Senior Vice President in Lehman Brothers’ Asset Backed Securities
18 Group. I am currently responsible for managing Lehman Brothers’ securitization
19 effort in several asset types, ranging from corporate loans and aircraft to RRBs.

1 **Q. Please describe your educational and professional background.**

2 A. I hold a B.S. in Physics from Virginia Polytechnic Institute, a J.D. from the
3 College of William & Mary, and an LL.M. in taxation from New York
4 University.

5 I have been involved in structuring mortgage and asset backed transactions since
6 1993. Prior to joining Lehman Brothers in 1997, I was a tax attorney in the New
7 York law firm of Brown & Wood, LLP, where I was involved in the tax analysis
8 of numerous mortgage and asset backed structures as well as other fixed income
9 and derivative products.

10 I have personally been involved in RRB transactions for Boston Edison in its
11 prior RRB transaction, Public Service Electric Gas Company in New Jersey,
12 Oncor Electric Delivery Company in Texas, and the State of Connecticut. In
13 those transactions I helped advise the utilities and related regulatory and
14 governmental agencies in all aspects of the securitization program including the
15 transaction structuring, financial analysis, systems and data requirements, rating
16 agency negotiations, investor education, and marketing and distribution of the
17 securities.

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of my testimony is to give an overview of asset-backed securities
20 and to explain what factors are generally important in the structuring of RRBs
21 and why such factors are important for the proposed issuance of the RRB

1 Transaction for the benefit of Boston Edison and Commonwealth, in order to
2 obtain the highest feasible credit rating for the RRBs.

3 **Q. Please describe asset-backed securities in general.**

4 A. Asset-backed securities are financial instruments that are secured by and payable
5 from the ongoing cash flow stream associated with an identifiable asset(s). The
6 assets are normally sold to a bankruptcy-remote special purpose entity ("SPE")
7 which issues the asset-backed securities. In the case of the RRBs, which are a
8 type of asset-backed security and are the subject of the Companies' Petition, the
9 identifiable asset is the transition property (the "Transition Property"), which is
10 the right to receive cash flows generated from the billing and collection of a
11 legislatively mandated, non-bypassable "RTC Charge." Collections of RTC
12 Charges provide the cash flow that will pay the principal and interest on, and
13 other costs of, the RRBs. As contemplated by the Companies' Petition, the SPE
14 established by each Company issues its own notes, backed by its Transition
15 Property, to a single special purpose trust created by the Agencies, which is the
16 ultimate issuer of the RRBs.

17 As a result of the combination of a secure source from an identifiable cash flow
18 and remoteness from a utility's credit and bankruptcy risks, RRBs are generally
19 perceived to have lower risk and, therefore, can be used to capitalize an asset
20 almost entirely with debt (which has a lower return than a combination of debt

1 and equity securities issued by the same utility in a traditional financing). This
2 should result in a lower financing cost, and thus ratepayer savings.

3 **Q. Have other utilities issued RRBs?**

4 A. Yes. Twenty utilities in nine different states have successfully issued RRBs in the
5 public market, including prior transactions for Boston Edison and Western
6 Massachusetts Electric Company in Massachusetts. Each of these transactions
7 received triple A ratings from two or more nationally recognized statistical rating
8 organizations ("rating agencies"). The broad structure and fundamental credit
9 characteristics are substantially similar for each of those offerings and the
10 proposed RRB transaction that the Companies have proposed in this proceeding.

11 **Q. What characteristics of RRBs do the rating agencies consider important in**
12 **establishing the credit rating of RRBs?**

13 A. Rating agencies generally consider several factors including: (1) bankruptcy-
14 remoteness from the utility; (2) predictability and nonbypassability of the RTC
15 Charge; (3) standards governing a third party biller (a "TPB"); (4) credit
16 enhancement; and (5) the Commonwealth of Massachusetts pledge and other
17 statutory safeguards.

18 **Q. On the first characteristic, please describe the importance of protecting**
19 **investors from the risk of the utility's bankruptcy.**

20 A. An important component of RRBs is that the asset(s) underlying the securities
21 (e.g., the Transition Property) be "bankruptcy-remote" from the utility originally
22 owning the Transition Property, in this case Boston Edison and Commonwealth.

1 The ownership of that asset is normally transferred to an SPE which is insulated
2 from the bankruptcy and credit risks of the utility.

3 **Q. How does the sale of the Transition Property to an SPE contribute to the**
4 **bankruptcy-remoteness of such Transition Property?**

5 A. When the transfer of the Transition Property to an SPE constitutes a legal true sale
6 and absolute transfer for commercial law purposes, the Transition Property owned
7 by the SPE would not be part of the utility's bankruptcy estate and, therefore,
8 would not be subject to the claims of the utility's creditors if the utility were to
9 become the subject of a bankruptcy proceeding. Although each Company, as
10 seller of the Transition Property, will initially act as servicer (the "Servicer") for
11 an SPE by collecting RTC Charges, the SPE will hold legal title to the collections
12 received in connection with RTC Charges and the funds will not be part of the
13 Companies' revenues or assets for legal purposes.

14 **Q. How does the independence of the SPE from the utility influence the**
15 **bankruptcy-remoteness of the Transition Property?**

16 A. Another element of the bankruptcy analysis focuses on the separate legal status of
17 the utility and the SPE. In order to preserve the bankruptcy-remote status of the
18 Transition Property once it is sold to the SPE, the utility should maintain an arms'
19 length relationship with the SPE and not act in a manner inconsistent with the
20 ownership of the Transition Property by the SPE. The utility cannot have a claim
21 on the RTC Charges.

1 **Q. What are the structural elements of the RRB Transaction that support the**
2 **status of the SPE as a separately organized legal entity?**

3 A. The structural elements supporting such separate existence typically include,
4 without limitation, requirements that the SPE be adequately capitalized, that the
5 utility be adequately compensated on an arms' length basis for the functions it
6 performs for the SPE in billing, collecting and remitting the RTC Charges on
7 behalf of the SPE, that the utility not be liable for the SPE's debts and that the
8 SPE not be liable for the utility's debts, and that the utility and the SPE take
9 certain steps to ensure that creditors are not misled as to their separate existence,
10 such as disclosure in the utility's financial statements of such separate existence.

11 These structural protections are important to avoid the potential for "substantive
12 consolidation" in a bankruptcy proceeding, where the assets and liabilities of two
13 or more affiliated entities (such as the Companies and their affiliated SPEs) are
14 pooled, resulting in claims of third-party creditors against any of those entities
15 being treated as claims against the common pool of assets created by
16 consolidation.

17 **Q. If the utility wholly owns the SPE, how will the SPE be operated**
18 **independently from the utility?**

19 A. The organizational documents of the SPE should impose restrictions upon its
20 activities and the ability of the utility to take actions as the holder of the equity
21 interest therein. For example, in the proposed RRB Transaction, each SPE will be
22 formed for the limited purpose of acquiring the Transition Property and issuing

1 notes (the “SPE Debt Securities”) as more fully described by Ms. O’Neil in
2 Exhibit NSTAR-EGO. Each SPE will be managed by a board of managing
3 members. As long as the Debt Securities of its SPE remain outstanding, each
4 Company should be required to cause its SPE to have at least one member, trustee
5 or director with no ties to such Company. Without the consent of this
6 independent member, such SPE will be unable (a) to amend provisions of
7 fundamental organizational documents which ensure the bankruptcy-remoteness
8 of the SPE or (b) to institute or to consent to the institution of bankruptcy or
9 insolvency proceedings against it, or to dissolve, liquidate, consolidate or merge.
10 Other provisions may also be included to support the bankruptcy-remote character
11 of an SPE as required by the rating agencies.

12 **Q. What policies have been included in other Massachusetts RRB transactions**
13 **to ensure that an SPE continues to receive revenues in the event of a default**
14 **in payment by a Servicer?**

15 A. In previous proceedings, the Department of Telecommunications and Energy (the
16 “Department”) has agreed, in the event of a default by the utility, as initial
17 Servicer, or any successor Servicer in payment of the RTC Charges to its wholly-
18 owned SPE, upon application by (1) the holders of RRBs or the trustee for the
19 RRBs, (2) the SPE or its assignees, or (3) pledgees or transferees of the Transition
20 Property and Other SPE Collateral (as described by Ms. O’Neil in Exhibit
21 NSTAR-EGO), to order the sequestration and payment to or for the benefit of the
22 SPE or such other party of revenues arising with respect to the Transition

1 Property. In addition, the Department has allowed the SPE or the trustees or
2 representatives of the holders of SPE Debt Securities, to appoint immediately a
3 successor Servicer for the Transition Property, subject to the approval of the
4 Department, and has agreed to act on an expedited basis within 30 days to
5 approve a successor Servicer. These features are intended to provide additional
6 certainty that the RTC Charges will benefit the SPE as owner of the Transition
7 Property, and should serve to enhance the credit quality of RRBs.

8 **Q. What if the utility seeks to voluntarily resign as Servicer?**

9 A. In the event of such circumstances, the Department has required the utility, as
10 initial Servicer, to obtain the prior written approval of the Department before
11 voluntarily resigning its duties as Servicer. In addition, the Department has
12 required that the utility must agree to remain as Servicer if such resignation will
13 result in the reduction or withdrawal of the credit ratings of RRBs.

14 **Q. What is the importance to rating agencies of the second characteristic of**
15 **predictability and nonbypassability of RTC Charges?**

16 A. In order to obtain the highest feasible credit rating, the revenue stream associated
17 with the RTC Charge should be secure and predictable. The RTC Charges will be
18 assessed and collected from all customers and other persons and entities obligated
19 to pay the transition charge (as described in the Petition and related testimony) to
20 the Servicer (or any successor Servicer). The credit rating for RRBs will depend

1 on the predictability and stability of that revenue stream even under financial
2 stress or changes in circumstances.

3 It is important that the RTC Charges be nonbypassable. In other words, a
4 customer of a Company's distribution system within the geographic territory as in
5 effect on July 1, 1997 must pay the RTC Charge regardless of whether it
6 purchases energy from such Company or a third party generation supplier, or
7 whether such distribution system is operated by the Company or a successor. The
8 SPE, not the utility or any other collection agent, including a TPB, has the right to
9 receive such RTC Charges.

10 **Q. How do rating agencies assess the predictability of the revenue stream**
11 **related to the RTC Charge?**

12 A. In assessing the risks of the RRB transaction, rating agencies review an electric
13 utility's historical experience, requesting detailed information on load forecasting,
14 billing, accounts receivable and collections, delinquencies, and charge-offs
15 attributable to customers in the utility's service territory. In general, the
16 collections ability of utilities' historically has been viewed as strong by the rating
17 agencies, due to the small percentage of actual charge-offs and the ability to
18 enforce bill payment through service termination.

19 **Q. What Department policies adopted in other Massachusetts RRB proceedings**
20 **helps enhance the predictability of the revenue stream?**

21 A. Continuation of existing electric power shut-off policies that permit the utility, as
22 Servicer, to shut-off customers' electricity, in accordance with Massachusetts law

1 and applicable regulations, reduces investors' credit risk in the case of non-
2 payment of RTC Charges by individual customers. Shut-off policies are viewed
3 by the rating agencies as an important tool for inducing prompt payment from
4 customers and for limiting losses from uncollectible bills.

5 **Q. On the third characteristic, what concerns do the rating agencies have with a**
6 **third party biller, a TPB?**

7 A. When a TPB bills, collects and remits RTC Charges, the process is one step
8 removed from the Servicer, which may result in the Servicer receiving the RTC
9 Charges later than it otherwise would. The greater the delay in receipt of
10 payment, the larger the amount of payments subject to the risk of non-payment
11 due to default, bankruptcy or insolvency of the TPB holding the funds. TPB
12 billing places increased information requirements on the Servicer. It requires the
13 Servicer to perform double tracking of RTC Charge payments because the
14 Servicer has the responsibility of accounting for the RTC Charge payments due to
15 RRB holders regardless of which entity provides a customer's electric power. As
16 a result, the security of the cash flows that constitute Transition Property may be
17 reduced, thereby increasing risks to investors, potentially reducing the credit
18 rating and/or increasing the interest rate of RRBs that would be required by
19 investors. This concern is especially acute if the TPB is a start-up company or
20 minimally capitalized entity unrated by rating agencies.

1 **Q. What policies have been implemented by the Department in the prior Boston**
2 **Edison RRB proceeding to address these concerns?**

3 A. The Department has required a TPB to agree to pay all RTC Charges billed by
4 such TPB, regardless of whether payments are received from end-use customers,
5 within 15 days of receipt of the Servicer's bill for such charges. In addition, if
6 and so long as such TPB does not maintain at least a 'BBB' (or the equivalent)
7 long-term unsecured credit rating from Moody's Investors Service and Standard
8 & Poor's Rating Services, the Department has required such TPB to maintain,
9 with the Servicer or as directed by the Servicer, a deposit or comparable security
10 equal to one month's maximum estimated collections of RTC Charges, as agreed
11 upon by the Servicer and the TPB. In the event of a default in the remittance of
12 RTC Charges by a TPB, such amount will be included in the periodic RTC
13 Charge adjustment.

14 If a TPB meters and bills for RTC Charges, the Department has required the
15 Servicer to have full and timely access to information on kWh billing and
16 electricity usage by customers to provide proper reporting and to fulfill its
17 obligations under the Servicing Agreement.

18 In the event of a TPB default in payment, the Department has allowed the
19 Servicer, within seven days after a default by a TPB in remitting any RTC
20 Charges billed, to assume responsibility for billing the RTC Charges or to assign
21 responsibility to a third party.

1 **Q. On the fourth characteristic of credit enhancement, please explain the types**
2 **of credit enhancement considered significant by rating agencies.**

3 A. Credit enhancement is often necessary in asset-backed transactions to provide
4 investors with added assurance that they will recover their investment. In RRB
5 transactions, rating agencies typically look for various types of credit
6 enhancement, including the right to make periodic adjustments to the RTC
7 Charge, an overcollateralization subaccount, a reserve subaccount, and a capital
8 subaccount.

9 **Q. Please explain the purpose of periodic adjustments to the RTC Charge.**

10 A. Periodic adjustments to the RTC Charge are intended to ensure that the SPE does
11 not over- or under- collect relative to expected collections. Several factors could
12 contribute to actual RTC collections differing from planned, including the impact
13 of the variability of energy sales and changes in weighted average days
14 outstanding of customer receivables and charge-off experience (including charge-
15 offs relating to a TPB) and changes in ongoing transaction costs. The SPE
16 requires the Servicer to adjust periodically the RTC Charge, up or down, by an
17 RTC Charge true-up mechanism (“RTC Charge True-Up Mechanism”), which is
18 permitted by the enabling legislation and which the Department has allowed in
19 other proceedings.

1 **Q. How does the RTC Charge True-Up Mechanism enhance the credit rating of**
2 **the RRBs?**

3 A. The RTC Charge True-Up Mechanism is viewed by the rating agencies as the
4 primary form of credit enhancement. These periodic adjustments provide greater
5 assurance that the collection of aggregate RTC Charges will be sufficient to
6 satisfy in a timely manner debt service obligations to the RRB holders and other
7 fees and expenses of the transaction for the entire term of the RRBs, in
8 accordance with the expected amortization schedule. The credit analysis of RRBs
9 will be affected favorably by the RTC Charge True-up Mechanism.

10 **Q. Please describe overcollateralization.**

11 A. Overcollateralization is another form of credit enhancement.
12 Overcollateralization exists when security holders have purchased or are secured
13 by an asset(s) and its related revenue stream with a value in excess of the
14 investment made by security holders, thereby increasing the likelihood of
15 repayment of the investment and a return thereon. The RTC Charge will be
16 calculated to yield expected annual collections in excess of those required to
17 satisfy payments of principal, interest, fees, and expenses each year the RRBs are
18 outstanding. Overcollateralization protects against the risk of insufficient
19 collections due to variability of energy sales, changes in weighted average days
20 outstanding of customer receivables and charge-off experience, and changes in
21 ongoing costs of RRBs. The typical level of overcollateralization in other RRB
22 transactions has been equal to 0.50% of the aggregate initial principal amount of

1 the RRBs, collected ratably over the expected life of the RRBs, although the
2 amount of overcollateralization required to achieve the highest feasible credit
3 rating for the proposed transaction will be determined through utility negotiations
4 with the rating agencies. Overcollateralization amounts will be deposited by each
5 Company, as Servicer, into the overcollateralization subaccount of its respective
6 SPE. To the extent such overcollateralization subaccount is depleted, it is
7 generally replenished through the RTC Charge, as adjusted periodically.

8 **Q. Please describe the capital subaccount.**

9 A. A capital subaccount is another form of credit enhancement. Like the
10 overcollateralization subaccount, the capital subaccount is designed to address
11 shortfalls in RTC Charge collections and thereby give investors and rating
12 agencies additional comfort that the collection of RTC Charges will be sufficient
13 to pay interest and principal on the RRBs in a timely manner. The level of capital
14 subaccount funding is also an important factor in obtaining the appropriate debt-
15 for-tax treatment described in Ms. O'Neil's testimony. The funds for the capital
16 subaccount will be contributed at the time of issuance by the utility to its wholly-
17 owned SPE in an amount determined by the utility in negotiations with the rating
18 agencies (the typical contribution in other RRB transactions has been 0.50% of
19 the aggregate initial principal amount of the RRBs). To the extent depleted, the
20 capital subaccount is generally replenished through the RTC Charge, as adjusted
21 periodically.

1 **Q. Please describe the reserve subaccount.**

2 A. RTC Charge collections and investment earnings thereon, if any, in excess of
3 amounts payable as (a) fees and expenses of the transaction, (b) payments of
4 principal of and interest on the SPE Debt Securities, and (c) allocations to the
5 capital subaccount (to the extent required to cover any deficiencies) and the
6 overcollateralization subaccount, will be allocated to the reserve subaccount.
7 Amounts in the reserve subaccount will be available to cover subsequent
8 shortfalls in RTC Charge collections and will be taken into account in calculating
9 periodic RTC Charge adjustments such that amounts in the reserve subaccount
10 shall be expected to be zero at the end of the period for which the RTC Charge
11 was adjusted.

12 **Q. On the fifth characteristic important to rating agencies, please describe the**
13 **Commonwealth of Massachusetts pledge and other statutory safeguards that**
14 **will support the credit rating of the RRBs.**

15 A. The risk to RRB investors is reduced through several provisions included in the
16 enabling legislation including the pledge by the Commonwealth of Massachusetts,
17 the irrevocability of the Transition Property and the Financing Order, and the
18 statutory lien placed on the Transition Property. The affirmation of these
19 safeguards and other key statutory provisions in the Financing Order should
20 provide additional comfort to the rating agencies and investors.

21 **Q. Have you reviewed the proposed structure of the Companies' RRB**
22 **Transaction?**

23 A. Yes.

1 **Q. Does the proposed structure have the five characteristics the rating agencies**
2 **consider significant indicators of strong creditworthiness?**

3 A. Although the rating agencies themselves will ultimately make the determination
4 of creditworthiness, we believe that the Companies' proposed structure addresses
5 the five characteristics considered important by rating agencies, namely (1)
6 bankruptcy-remoteness from the seller; (2) predictability and nonbypassability of
7 the RTC Charge; (3) standards governing a TPB; (4) credit enhancement; and (5)
8 the pledge by The Commonwealth of Massachusetts and other statutory
9 safeguards. It is similar to the finance structure authorized by the Department in
10 Boston Edison's prior securitization transaction which resulted in a triple A credit
11 rating for those RRBs.

12 **Q. Does this conclude your testimony?**

13 A. Yes it does.

**BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY
d/b/a NSTAR ELECTRIC**

Direct Testimony of Emilie G. O'Neil on Securitization

Exhibit NSTAR-EGO

D.T.E. 04-70

1 **Q. Please state your name and business address.**

2 A. My name is Emilie G. O'Neil and my business address is One NSTAR Way,
3 Westwood, Massachusetts.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Director of Corporate Finance and Cash Management for Boston Edison
6 Company ("Boston Edison") and Commonwealth Electric Company
7 ("Commonwealth" together, the "Companies"), each of which is an indirect
8 wholly-owned subsidiary of NSTAR.

9 **Q. Please describe your education and professional background.**

10 A. My education and professional background are described in Exhibit NSTAR-
11 EGO-1.

12 **Q. Please describe your duties and responsibilities for the Company.**

13 A. My primary responsibilities include corporate finance activities, cash
14 management, and lease financings. I have testified in seven previous financing
15 related applications. Six were for Boston Edison (D.P.U. 92-244, D.P.U. 92-253,
16 D.P.U. 94-160, D.T.E. 98-118, D.T.E. 00-62 and D.T.E. 03-129). I also testified
17 in Commonwealth's Approval of Issuance of Indebtedness, D.T.E. 02-51.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to describe the structure of the proposed issuance
3 (the "RRB Transaction") of electric rate reduction bonds ("RRBs"), to explain the
4 methodology for determining the portion of the transition charge, known as the
5 "RTC Charge," required to satisfy the RRBs and to identify the transaction costs
6 of the RRB Transaction.

7 **Q. Please describe the terms of the RRB Transaction.**

8 A. Essentially, the proposed terms of the RRB Transaction are the same as
9 previously authorized by the Department in D.T.E. 98-118 for Boston Edison in
10 connection with its 1999 RRB transaction. The primary difference is that in the
11 currently proposed RRB Transaction, transition property of both Boston Edison
12 and Commonwealth will support the RRBs. Exhibit NSTAR-EGO-2 illustrates
13 the structure of the RRB Transaction as it is currently being proposed. The only
14 real difference from the illustration submitted by Boston Edison in connection
15 with D.T.E. 98-118 is the addition of Commonwealth. This proposed structure is
16 subject to modification, depending upon marketing of the RRBs and negotiations
17 with nationally recognized statistical rating organizations (the "rating agencies")
18 selected by the Companies, with the approval of the Massachusetts Health and
19 Educational Facilities Authority and MassDevelopment (together, the
20 "Agencies"), to assign credit ratings to the RRBs. The final structure will be

1 determined by the Companies at the time RRBs are priced, with the approval of
2 the Agencies, and after input from the rating agencies and the underwriters.

3 Boston Edison and Commonwealth will each form, with the approval of the
4 Department, a wholly-owned special purpose entity (each, an "SPE"), each a
5 bankruptcy-remote limited purpose entity that will be a separately organized legal
6 entity. Each SPE will be a limited liability company and will be designated as a
7 "financing entity" as defined in G.L. c. 164, § 1H(a) for purposes of the RRB
8 Transaction. Boston Edison and Commonwealth will capitalize their respective
9 SPE with an amount expected to be approximately 0.50 percent of their respective
10 allocations (expected to be approximately 39% to Boston Edison and 61% to
11 Commonwealth) of the initial principal balance of RRBs.

12 Each of the Companies will sell to their respective SPE their respective Transition
13 Property (as described below) in transactions which will be intended and treated
14 as a legal true sale and absolute transfer to such SPE. The Transition Property of
15 each of the Companies represents a continuously existing property right created
16 pursuant to G.L. c. 164, § 1H, including, without limitation, the right, title, and
17 interest in and to all revenues, collections, claims, payments, money or proceeds
18 of or arising from or constituting (a) the reimbursable transition costs amounts
19 established for such Company by the Financing Order, including such amounts
20 established in an Issuance Advice Letter (as defined below), (b) the RTC Charge

1 authorized by the Financing Order, including the initial RTC Charge set forth in
2 an Issuance Advice Letter, as may be adjusted from time to time to generate
3 amounts sufficient to discharge an amount equal to each Company's Periodic
4 Payment Requirements (which I will describe later in my testimony), and (c) all
5 rights to obtain periodic adjustments and non-routine adjustments to the RTC
6 Charge. The Transition Property constitutes a property right, existing for all
7 purposes, notwithstanding the fact that the value of the property right may depend
8 on customers using electricity, or the Companies or a successor distribution
9 company performing certain services (including billing, collecting, and
10 remittance) in the future, and whether or not the revenues or proceeds with respect
11 to RTC Charges have accrued. (See G.L. c. 164, § 1H(d)(3).)

12 **Q. Why are Boston Edison and Commonwealth combining their issuances into**
13 **one transaction?**

14 A. A single, larger issuance as opposed to two smaller issuances results in cost
15 efficiencies. We have been advised by the underwriters on the RRB Transaction,
16 Goldman Sachs and Lehman Brothers, that not only does it lower overall
17 transaction costs, but it should also reduce the yield required by investors. Larger
18 transaction sizes allow for more maturity classes while maintaining the liquidity
19 of each class, which is important to investors. Offering a variety of maturity
20 classes, with liquidity within each class, appeals to different types of bond

1 investors, thereby increasing overall demand and lowering the yield required by
2 investors.

3 **Q. Please describe the capitalization of each SPE.**

4 A. I currently anticipate that each SPE will be required to be capitalized in an amount
5 of approximately 0.50 percent of each Company's allocable portion of the initial
6 principal balance of RRBs, although the actual amount will be subject to
7 prevailing market conditions at the time of RRB pricing and input from the rating
8 agencies. The funds for such capitalization will be contributed by the respective
9 Companies and placed in the respective capital subaccounts to be held by the
10 respective SPEs. Each SPE will periodically return to Boston Edison or
11 Commonwealth, as the case may be, as a distribution of capital any pre-tax
12 investment income earned on its capital subaccount. The Companies will be
13 responsible for any taxes on investment earnings. Any amounts remaining in an
14 SPE's capital subaccount after discharge of its Total Payment Requirements will
15 be returned to its parent company as a return of capital, not for credit to
16 customers.

17 **Q. What rights does each SPE obtain through the sale of the Transition**
18 **Property?**

19 A. Upon the sale to an SPE of the Transition Property identified in an Issuance
20 Advice Letter, such SPE will have all of the rights originally held by Boston
21 Edison or Commonwealth, as the case may be, with respect to the Transition

1 Property, including without limitation, the right to exercise any and all rights and
2 remedies to collect any amounts payable by any customer with respect to the
3 Transition Property and Other SPE Collateral (as defined below), with the right to
4 shut-off electric power in accordance with and to the extent permitted by G.L.
5 c. 164, §§ 124A-I and any applicable regulations, notwithstanding any objection
6 or direction to the contrary by Boston Edison or Commonwealth.

7 **Q. How will an SPE raise funds to pay the purchase price of the Transition**
8 **Property to the Companies?**

9 A. To raise the necessary funds, each SPE will issue notes (“Debt Securities”) to a
10 single special-purpose trust established by the Agencies (the “RRB Trust”), that
11 will itself raise the purchase price of the SPEs’ Debt Securities by issuing and
12 selling RRBs to investors. There will be a single RRB Trust and a single issue of
13 RRBs. However, neither SPE will be obligated with respect to the other SPE’s
14 Debt Securities and, therefore, the customers of the respective Companies shall
15 not be affected by the actions of the other Company or its SPE or the adequacy of
16 the Transition Property of the other Company. Each SPE will then transfer the
17 allocable proceeds it receives to either Boston Edison or Commonwealth as
18 consideration for the Transition Property.

19 All of the assets of an SPE, including, without limitation, the Transition Property
20 and the Other SPE Collateral, will be pledged as collateral to secure its issue of
21 Debt Securities. The Other SPE Collateral will include without limitation, the

1 rights of an SPE under the RRB Transaction documents including the purchase
2 agreement by which such SPE acquires the Transition Property, the servicing
3 agreement (the "Servicing Agreement") by which Boston Edison or
4 Commonwealth (the "Servicer") or any successor Servicer, acts as Servicer of the
5 Transition Property, the Administration Agreement (the "Administration
6 Agreement"), the collection account and any subaccounts of such SPE contained
7 in such SPE's collection account, which includes the capital subaccount, the
8 overcollateralization subaccount and the reserve subaccount, any investment
9 earnings on amounts held by such SPE (other than the pre-tax earnings on the
10 capital subaccount, which will be returned periodically by such SPE as a
11 distribution of capital to Boston Edison or Commonwealth, as the case may be).

12 RRBs will be pass-through certificates representing undivided beneficial interests
13 in the Debt Securities of each SPE. The payment and performance of all
14 obligations under the Debt Securities and the RRBs will be secured by a first-
15 priority statutory lien on all Transition Property as provided in G.L. c. 164,
16 § 1H(e), together with a pledge of the Other SPE Collateral.

17 **Q. Please describe the Companies' process of billing, collecting and remitting**
18 **RTC Charges.**

19 A. Both of the Companies will follow the same process. The Companies, or any
20 successor Servicer, are expected to remit to the trustee for the SPE Debt Securities
21 (the "Note Trustee") on a daily basis an amount equal to the actual RTC Charges

1 billed, less an allowance for estimated RTC Charge charge-offs, on or about the
2 day such amounts are deemed to be collected. The deemed collection date of
3 such amounts will be the weighted average number of days, based on each of the
4 Companies' respective historical collections experience, that a monthly bill for
5 services remains outstanding before payment by a customer. Currently, Boston
6 Edison estimates the deemed collection date to be 42 days from the date RTC
7 Charges are billed, and Commonwealth estimates 35 days. The Companies
8 expect to review deemed collections data annually and will adjust the deemed
9 collection date based on the weighted average days outstanding of customer
10 receivables.

11 G.L. c. 165, § 1H(b)(8) requires transition charges to be paid over to the financing
12 entity within one calendar month of collection. The establishment of a deemed
13 collection date based on the Companies' historical collections experience, as
14 described above, is an economical and cost effective means of identifying to a
15 useful degree of certainty the actual RTC Charge collections in accordance with
16 the provisions of G.L. c. 164, § 1H(b)(8), given the Companies' current
17 accounting and billing information systems capabilities. On the basis of these
18 remittances on or about the deemed collection date, collections of RTC Charges
19 will be deemed paid no more than one calendar month from the applicable
20 deemed collection date for purposes of G.L. c. 164, § 1H(b)(8).

1 Each of the Company's allowance for estimated RTC Charge charge-offs is its
2 system-wide allowance for charge-offs, adjusted to take into consideration
3 estimates of partially paid bills. The Companies will reconcile such remittances
4 at least once annually for all remittances made in the previous year with the Note
5 Trustee to more accurately reflect the amount of RTC Charges that should have
6 been remitted, based on the actual system-wide charge-off percentage, which is
7 adjusted for estimates of partially paid bills. This remittance procedure, based on
8 the Companies' accounting and billing information systems capabilities, is
9 reasonable and complies with G.L. c. 164, § 1H(b)(1), which requires the
10 payment priority of transition charges.

11 To the extent such remittances reflecting billed amounts exceed the actual RTC
12 Charges collected by the Servicer (an "Excess Remittance"), the Servicer will be
13 entitled to receive a payment from the Note Trustee in an amount equal to such
14 Excess Remittance, or withhold such amount from any subsequent remittance to
15 such trustee. To the extent such remittances reflecting billed amounts are less
16 than the actual RTC Charges collected (a "Remittance Shortfall"), the Servicer
17 shall remit the amount of such Remittance Shortfall to such trustee on a future
18 remittance date.

1 **Q. How will Boston Edison account for the existing RTC Charge associated with**
2 **its previous RRB transaction?**

3 A. The RTC Charge associated with Boston Edison's previous RRB transaction and
4 the RTC Charge associated with the currently proposed RRB Transaction will
5 both be components of Boston Edison's transition charge, each separately
6 identified and pledged to secure the RRB transaction to which they relate.
7 Although highly unlikely, in the event that during any period the transition charge
8 is not sufficient to pay all RTC Charges on both the prior RRB transaction and the
9 proposed RRB Transaction, the transition charge will be allocated pro rata among
10 the RTC Charges based on their relative size.

11 **Q. How will the Companies remit RTC Charges to the Note Trustee?**

12 A. Each of the Companies, or any successor Servicer, expects to deposit remittances
13 to a collection account maintained by the Note Trustee in respect of its SPE on a
14 daily basis. These monies will be held in the collection account for that SPE by
15 the Note Trustee, and will be invested in certain eligible investments until each
16 payment date.

17 **Q. How will the Note Trustee distribute the aggregate amount of RTC Charges**
18 **received?**

19 A. The RTC Charges remitted by each Company to the Note Trustee will be
20 distributed to pay the principal amount of (in accordance with the Expected
21 Amortization Schedule related to each SPE's Debt Securities, as defined below)

1 and interest on the Debt Securities of its SPE authorized for issuance pursuant to
2 the Financing Order, together with the ongoing transaction costs, including the
3 Servicing Fee (as defined below), the Administration Fee (as defined below),
4 rating agencies' fees, fees to the Note Trustees and the trustee for the RRBs (the
5 "RRB Trustee"), legal and accounting fees, and other fees and expenses, as well
6 as funding of the overcollateralization subaccount (the required periodic payment
7 of such, including deficiencies of past due principal and interest for any reason, a
8 "Periodic Payment Requirement" and collectively, the "Total Payment
9 Requirements"). Costs and expenses constituting part of the Periodic Payment
10 Requirement that are not directly incurred by an individual SPE will be allocated
11 on the basis of each SPE's allocable portion of the initial principal amount of the
12 RRBs or on a similar equitable basis. The Note Trustee will distribute the RTC
13 Charges collected in respect of an SPE in the following general order of priority:
14 (1) for payment of ongoing transaction costs; (2) for payment to the RRB Trustee
15 of accrued and unpaid interest on such SPEs' Debt Securities; (3) for payment to
16 the RRB Trustee of current and deferred principal of such SPEs' Debt Securities;
17 and (4) for replenishment of or additions to such SPE's capital and
18 overcollateralization subaccounts. Principal and interest payments received by
19 the RRB Trustee will be distributed to holders of RRBs on the payment date.

1 **Q. What is the expected amortization schedule of the SPE Debt Securities and**
2 **RRBs?**

3 A. We have assumed that approximately equal principal amounts of the SPEs' Debt
4 Securities, and, therefore, the RRBs, will be paid in each year over their expected
5 life. While annual principal amortization will be approximately equal, the semi-
6 annual amounts may vary somewhat since the RTC Charge is a usage-based
7 component of the transition charge and usage levels vary during the year. We
8 also have assumed that the RRBs will be issued on March 1, 2005 and are
9 expected to be paid in full on March 15, 2013. These assumptions and others
10 described below will be reflected in an expected amortization schedule (the
11 "Expected Amortization Schedule") for the RRBs and related Expected
12 Amortization Schedule for each SPE's Debt Securities, to be finalized after RRB
13 pricing, but prior to RRB issuance.

14 **Q. What are the anticipated maturities and interest of the RRBs?**

15 A. It is anticipated that the RRBs will be issued in multiple classes. In other words,
16 the debt service on the RRBs will be carved up into individual classes with
17 separate maturities in which amortization of the principal of the first class
18 precedes amortization of the second class, and so on. The longest term bonds will
19 have an expected maturity of approximately eight years. The legal maturities will
20 be up to two years beyond the respective expected maturities, or longer if required
21 by the rating agencies. The additional period of time beyond each expected

1 maturity is necessary to allow for continued collection of RTC Charges should
2 debt service and related fees and expenses not be discharged in full by such
3 expected maturity date. G.L. c. 164, § 1H(b)(4) provides for maturities up to 15
4 years. Interest and principal are expected to be payable semi-annually. The
5 interest rates will be determined based on market conditions at the time of RRB
6 pricing.

7 **Q. How is the RTC Charge created?**

8 A. Under the Financing Order, the Transition Property comes into existence,
9 consisting of reimbursable transition costs amounts approved by the Department
10 and the transaction costs of issuing, servicing and retiring RRBs and providing
11 any credit enhancement. The RTC Charge is the mechanism through which the
12 Transition Property will be recovered so that Total Payment Requirements can be
13 discharged. The RTC Charge is a separate, nonbypassable charge collected from
14 all retail users of each of the Companies' distribution systems, within the
15 geographic service territory as in effect on July 1, 1997, by Boston Edison or
16 Commonwealth, or any successor distribution companies, which may include
17 successor Servicers. The RTC Charge will be a usage-based component of the
18 transition charge on the monthly bill of each retail user, without regard to class,
19 and may in the future include a pro rata component of any exit charge collected
20 pursuant to G.L. c. 164, § 1G(g). Each Company's RTC Charge will be sufficient

1 to pay its SPE's separate Total Payment Requirements as described in G.L. c.
2 164, § 1H(b)(2). Payments on the SPEs' Debt Securities and RRBs will be semi-
3 annual. Although not separately identified on each customer's bill, each monthly
4 bill will note that the RTC Charge, as a component of the transition charge, is
5 being collected on behalf of an SPE, as owner of the Transition Property.

6 **Q. How will the Companies calculate the respective RTC Charges?**

7 A. Both initially and during the life of RRBs, the RTC Charge will be calculated
8 separately by each Company and set at a level intended to pay an amount equal to
9 its separate Periodic Payment Requirements. The RTC Charge will be billed until
10 the SPE has collected RTC Charges sufficient to discharge its Total Payment
11 Requirements.

12 The RTC Charge will vary over the life of the RRB Transaction as a result of
13 several factors, including changes in the outstanding principal balance of RRBs,
14 the impact of the variability of energy sales forecasts, changes in the weighted
15 average days outstanding of customer receivables, and charge-off experience, as
16 well as changes in any ongoing fees, costs and expenses on RRBs. The
17 calculation of the RTC Charge incorporates each of these factors.

18 **Q. What assumptions are incorporated into the Companies' forecast of the**
19 **initial RTC Charges?**

20 A. The Companies' forecasts are based on the following common assumptions:

- 1 1. Level principal payments for each year over the eight-year expected
2 maturity of the Debt Securities and the RRBs;
- 3 2. Semi-annual payments of principal and interest on each September 15 and
4 March 15, commencing on September 15, 2005;
- 5 3. Daily remittances of deemed RTC Charge collections to the Note Trustee;
- 6 4. Projected kilowatt-hour ("kWh") sales for the upcoming year;
- 7 5. Estimated charge-offs based on historical collections experience;
- 8 6. Any lags between a payment date and the latest date for which deemed
9 RTC Charge collections available to the RRB Trustee are applied to a
10 payment date (a time period which allows the Servicer to properly account
11 for deemed RTC Charge collections);
- 12 7. Weighted average interest rate of approximately 4.0% on the Debt
13 Securities and the RRBs;
- 14 8. Closing date of March 1, 2005; and
- 15 9. Expected final maturity of March 15, 2013.

16 Additional assumptions for Boston Edison include:

- 17 1. Its estimated initial principal balance;
- 18 2. Annual aggregate ongoing transaction costs of approximately \$190,809, as
19 described in Exhibit NSTAR-EGO-4, paid in installments on each
20 payment date;
- 21 3. Boston Edison's current determination, based on historical collections
22 experience, that RTC Charges are deemed collected 42 days after billing,
23 with reduced collections in the initial payment period due to the lag
24 between billing and the deemed collection date; and
- 25 4. Annual overcollateralization amount of \$165,938 funded in equal
26 installments on each payment date.

27 Additional assumptions for Commonwealth include:

- 1 1. Its estimated initial principal balance;
- 2 2. Annual aggregate ongoing transaction costs of approximately \$293,940, as
- 3 described in Exhibit NSTAR-EGO-4, paid in installments on each
- 4 payment date;
- 5 3. Commonwealth's current determination, based on historical collections
- 6 experience, that RTC Charges are deemed collected 35 days after billing,
- 7 with reduced collections in the initial payment period due to the lag
- 8 between billing and the deemed collection date; and
- 9 4. Annual overcollateralization amount of \$255,625 funded in equal
- 10 installments on each payment date.

11 **Q. What is the forecasted initial RTC Charge for each Company?**

12 A. The forecasted initial RTC Charge for Boston Edison is approximately .3

13 cent/kWh for all kWh billed as part of the transition charge for each monthly

14 billing period up until the effectiveness of the first periodic RTC Charge

15 adjustment and approximately 1.7 cent/kWh in the case of Commonwealth. The

16 actual initial RTC Charges may be higher or lower depending on the actual initial

17 principal balance of RRBs, actual ongoing transaction costs and changes in the

18 assumptions described above as determined at the time of RRB pricing.

19 Each of the Companies proposes to file the initial RTC Charge for its SPE's Debt

20 Securities by means of an issuance advice letter (the "Issuance Advice Letter")

21 after the RRBs are priced, but prior to their issuance, in compliance with the

22 Financing Order. The Companies request Department approval of the method for

1 determining the initial RTC Charge so that the RTC Charges set forth in the
2 Issuance Advice Letters will automatically become effective as of such filing.

3 **Q. How will subsequent RTC Charges be calculated?**

4 A. The per-kWh RTC Charge for all retail customers of each Company shall be
5 subject to periodic adjustments by means of a proposed RTC Charge adjustment
6 mechanism (the "RTC Charge True-Up Mechanism") to minimize a shortfall or
7 an excess in recoveries of reimbursable transition costs amounts and to satisfy in
8 full such Company's Total Payment Requirements in accordance with the
9 Expected Amortization Schedule. Each of the Companies, as the initial Servicer
10 for their respective SPEs, will file with the Department periodic true-up advice
11 letters ("True-Up Advice Letters") annually and, if necessary, more frequently.
12 The per-kWh RTC Charge for all retail customers in an applicable period shall be
13 determined as illustrated in Exhibit NSTAR-EGO-5. The resulting adjustments
14 to the RTC Charge will be effective on the first day of the succeeding month or
15 such date as specified in the periodic True-Up Advice Letters, as long as such
16 effective date is at least 15 days after the filing of such letter. In addition, the
17 Companies request that whenever it is determined that the RTC Charge True-Up
18 Mechanism used to calculate the RTC Charge adjustment requires modification to
19 project more accurately and to generate adequate revenues, a non-routine true-up
20 letter may be filed and the resulting RTC Charge adjustment will be automatically

1 effective within 60 days of such filing. Non-routine true-up letters will be subject
2 to review and approval of the Department.

3 Based on the assumptions described above, the RTC Charge established on April
4 1, 2006 and scheduled to be in effect through March 31, 2007, must be derived
5 such that the aggregate RTC Charges billed for such period will result in deemed
6 RTC Charge collections by each Company that are sufficient (i) to pay such
7 Company's allocable portion of the estimated ongoing costs for the upcoming
8 year; (ii) to make semi-annual interest payments on its respective SPE's Debt
9 Securities on September 15, 2006 and March 15, 2007; (iii) to pay principal of its
10 respective Debt Securities on September 15, 2006 and March 15, 2007 in
11 accordance with the Expected Amortization Schedule; and (iv) to pay any
12 amounts of such Company's previous Periodic Payment Requirements not
13 satisfied in the previous year for any reason. This calculation will take into
14 account, as of March 15, 2006, any balances or deficits in such SPE's capital,
15 overcollateralization and reserve subaccounts.

16 **Q. Who will act as Servicer until the Total Payment Requirements have been**
17 **satisfied?**

18 A. Initially, Boston Edison will act as Servicer for the Debt Securities of its SPE and
19 Commonwealth will act as Servicer for the Debt Securities of its SPE, although
20 successor Servicers or subservicers may perform these functions. It is anticipated
21 that under certain circumstances to be set forth in the Servicing Agreements,

1 either of the Companies may be removed or may resign as Servicer. As described
2 by Mr. Fernando in Exhibit NSTAR-JF, the Companies plan to implement with
3 the Department's approval, policies and procedures as previously approved by the
4 Department designed to ensure that the credit ratings of the RRBs will not be
5 reduced or withdrawn upon replacement of one or both of the Companies as
6 Servicer.

7 Pursuant to the Servicing Agreements, each Servicer will be bound to act in good
8 faith with respect to required RTC Charge adjustments, and must file for any RTC
9 Charge adjustments required by the Servicing Agreement. In consideration for
10 performing servicing responsibilities, the Servicer will be paid the Servicing Fee.

11 **Q. Who will act as administrator for each SPE?**

12 A. Because each SPE will be a special-purpose, bankruptcy-remote entity with
13 limited business activities, each SPE will have to enter into an Administration
14 Agreement with another party to perform ministerial services and provide
15 facilities for such SPE to ensure that it is able to perform such day-to-day
16 operations as are necessary to maintain its existence and perform its obligations
17 under the RRB Transaction documents. Given the nature of the SPE's activities,
18 and consistent with Boston Edison's 1999 RRB transaction, it is most cost
19 effective and efficient for each of Boston Edison and Commonwealth to enter into
20 Administration Agreements with their respective SPEs. Each of the

1 Administration Agreements incorporates provisions to ensure that each of the
2 Companies will be paid a fee (the "Administration Fee") in an amount
3 commensurate with its costs of performing such services and providing such
4 facilities.

5 **Q. Please describe the transaction costs of issuing RRBs.**

6 A. The Companies estimate the transaction costs of issuing RRBs based on
7 commercially reasonable assumptions to be approximately \$6.5 million as
8 described in more detail in Exhibit NSTAR-EGO-3. The actual amount of
9 transaction costs will not be known until the RRBs are priced and will depend
10 upon certain factors such as the actual principal amount of RRBs issued, market
11 conditions and input by rating agencies. These transaction costs will include the
12 underwriting spread, rating agency fees, accounting fees, Securities and Exchange
13 Commission registration fees, Department filing fees, printing and marketing fees,
14 trustees' fees, legal and accounting fees and expenses, the Agencies' fees, any
15 original issue discount and other miscellaneous fees and expenses. These costs
16 also include the payments to be made by Commonwealth in connection with
17 consents required in connection with the amendment of covenants in its
18 outstanding debt securities. The amendment is necessary in order to permit the
19 transaction and resulting savings because the covenants contained in the
20 documents for those securities would prohibit the proposed RRB transactions

1 without the consent of the holders of these securities. The inclusion of these
2 consent fees, if applicable, is in accordance with G.L. c. 164, § 1H(a). Certain
3 fees, such as underwriters' spread, rating agency fees, SEC fees, Department fees,
4 and Agencies' fees will vary depending primarily upon the actual principal
5 amount of RRBs to be issued. Other fees are generally based on market rates
6 charged for similar transactions.

7 **Q. Which of these fees has been determined by the Agencies?**

8 A. The Agencies have negotiated an agreed underwriting spread and advised the
9 Companies of the Agencies' own fee and estimated fees for bond counsel. The
10 Agencies will also approve rating agency fees, printing and marketing expenses,
11 trustee fees and trustee counsel fees, underwriters' legal fees, original issue
12 discount and miscellaneous costs. The Agencies have not negotiated or reviewed
13 the SEC and Department filing fees, consent fees paid to Commonwealth's
14 lenders or the Companies' legal and accounting fees. The SEC and Department
15 fees are set by law or regulation. The consent fees and the Companies' legal and
16 accounting fees or fee arrangements have been negotiated and reviewed by the
17 Companies and are consistent with fees or fee arrangements for similar
18 transactions.

1 **Q. How will the Companies recover the transaction costs of issuance of RRBs?**

2 A. The Companies propose to recover the transaction costs of issuing RRBs
3 (described above) out of the proceeds of the RRB Transaction and to include such
4 costs as reimbursable transition costs amounts pursuant to G.L. c. 164, § 1H(a).
5 To the extent payment prior to issuance is required, such costs will be paid by the
6 Companies and reimbursed from the proceeds of the RRB Transaction.

7 **Q. What are the ongoing transaction costs of the RRB Transaction?**

8 A. It is anticipated that costs and expenses incurred throughout the life of the RRBs
9 will total approximately \$906,000 annually, as set forth in Schedule NSTAR-
10 EGO-4. Ongoing transaction costs include the Servicing Fee, the Administration
11 Fee, the ongoing rating agency fees, fees for the trustees, legal and accounting
12 fees, and other miscellaneous fees and expenses. The Companies will also collect
13 funding for the overcollateralization account. While I do not anticipate that other
14 credit enhancement will be required in connection with the RRB Transaction,
15 initial or ongoing transaction costs might also include such additional credit
16 enhancement if ultimately required to assure the highest possible rating for the
17 RRBs in order to maximize customer savings. In addition, ongoing transaction
18 costs may include any indemnity obligations of the SPEs in the RRB Transaction
19 documents for the SPE officers and managers, liabilities of the RRB Trust, and
20 liabilities to the underwriters related to the underwriting of the RRBs. The

1 ongoing costs of the RRB Transaction can only be estimated at this time because
2 the actual expenses will not be known until the applicable agreements are
3 negotiated and the actual costs are incurred. Current estimates of the ongoing
4 costs are based on commercially reasonable assumptions with input from the
5 Agencies and the underwriters.

6 **Q. What is the estimated servicing fee and how will it be calculated?**

7 A. In consideration for its servicing responsibilities, each of the Servicers will
8 receive a periodic servicing fee (the "Servicing Fee"), which will be recovered
9 through its respective RTC Charge. To support the bankruptcy analysis, the
10 Servicing Fee must be on arm's-length terms and market-based. The Servicing
11 Fee is estimated to cover out-of-pocket costs and expenses incurred by each
12 Company to service its SPE's Debt Securities including, without limitation,
13 billing, monitoring, collecting and remitting RTC Charges, systems modifications
14 to bill, monitor, collect and remit RTC Charges, reporting requirements imposed
15 by the Servicing Agreement, and required audits related to the Companies' role as
16 Servicer.

17 Subject to changes in market conditions and rating agency requirements, the
18 Servicing Fees will be calculated as a percentage of each Company's allocable
19 portion of the initial principal balance of RRBs. The annual Servicing Fee to be
20 paid to each of Boston Edison and Commonwealth is currently expected to be

1 approximately 0.05 percent of the initial principal balance of the related SPE Debt
2 Securities, payable semi-annually or more frequently, and represents a reasonable,
3 good-faith estimate of the ongoing marginal cost of fulfilling servicing
4 responsibilities. A higher servicing fee of up to approximately 1.25 percent will
5 be paid to any other Servicer that does not concurrently bill the RTC Charge with
6 other charges for service to reflect the additional costs related thereto.

7 **Q. Please describe other ongoing transaction costs in more detail.**

8 A. (1) Pursuant to the Administration Agreement, each Company or a third party
9 will act as administrator of each SPE, providing ministerial services and facilities
10 necessary for the day-to-day operations of each SPE, as described earlier, in
11 return for the Administration Fee. Additional SPE expenses will include the costs
12 associated with operating each SPE, including wages, rent, utilities, furniture and
13 equipment and other miscellaneous costs.

14 (2) The rating agencies will assess ongoing fees associated with the monitoring
15 of each RRB offering.

16 (3) In consideration for fees, the trustees appointed under an indenture or similar
17 agreements for the RRB Transaction, including the Note Trustee and the RRB
18 Trustee, will be responsible for, among other things, (i) investing the RTC Charge
19 collections received from the Servicers in high quality, short-term and long-term
20 debt instruments; (ii) maintaining a record of bondholders; and (iii) calculating

1 and remitting interest and principal payments to the RRB investors. In addition,
2 the SPEs will incur ongoing accounting and legal fees, as well as the costs of
3 maintaining the special purpose trust established by the Agencies to issue the
4 RRBs.

5 (4) The amount of overcollateralization for an SPE is expected to be no less than
6 0.50 percent of the initial principal balance of the SPE's Debt Securities which the
7 Companies will collect in equal amounts on each payment date over the expected
8 life of the RRB Transaction.

9 (5) Directors' fees and other miscellaneous costs not known at this time will also
10 be ongoing costs.

11 **Q. How will Companies confirm to the Department the final terms, pricing and**
12 **costs of the RRB Transaction?**

13 A. After pricing of RRBs but prior to closing, the Companies will notify the
14 Department by filing the Issuance Advice Letters. The Issuance Advice Letters
15 will report the final structure and repayment terms of the RRB Transaction,
16 identify each SPE and the RRB Trust, the reimbursable transition costs amounts
17 securitized by RRBs, the initial RTC Charges to be implemented upon issuance of
18 RRBs and a confirmation of savings to ratepayers. The final terms and conditions
19 of the SPEs' Debt Securities and the RRBs, including the schedule of principal
20 amortization, any required credit enhancement, the frequency of principal or

1 interest payments, the interest rates on the SPEs' Debt Securities and RRBs, the
2 manner of sale of the RRBs, the number and determination of credit ratings and
3 the approval of final transaction documents, shall, to the extent consistent with the
4 provisions of the Financing Order, be determined by the Companies and
5 approved, to the extent previously described, by the Agencies at or shortly after
6 the time RRBs are priced and after input from the rating agencies and the
7 underwriters.

8 **Q. How will the RRB Transaction be treated for financial reporting purposes?**

9 A. The amount securitized is expected to be recorded, in accordance with generally
10 accepted accounting principles ("GAAP"), as long-term debt on the balance sheet
11 of each SPE for financial reporting purposes. Boston Edison, Commonwealth,
12 each SPE, the special purpose trust and the holders of RRBs will expressly agree
13 pursuant to the terms of the applicable documents to treat each SPE's Debt
14 Securities as debt of such SPE secured by the Transition Property and the Other
15 SPE Collateral. Because each SPE will be a wholly owned subsidiary of Boston
16 Edison or Commonwealth, as the case may be, it is required that such SPE be
17 consolidated with its parent company for financial reporting purposes under
18 GAAP. Therefore, each SPE's Debt Securities will appear on the consolidated
19 balance sheet of the respective parent company in its financial statements. For
20 purposes of financial reporting to the Department and the Federal Energy

1 Regulatory Commission, each of Boston Edison and Commonwealth will include
2 on its stand-alone financial statements the debt of its SPE as amounts due to
3 associated companies.

4 The RRB Transaction is not expected to impact either of the Companies' credit
5 ratings, as it is expected that the rating agencies will determine that the RRBs,
6 which are not supported by the Companies' general revenue stream and not
7 collateralized by the assets of the Companies, do not affect their creditworthiness.
8 Therefore, it is anticipated that the rating agencies will exclude the RRBs as debt
9 for purposes of calculating financial ratios.

10 **Q. What are the relevant tax considerations of the RRB Transaction?**

11 A. In 2002 the IRS issued a Revenue Procedure to the effect that (a) the issuance of
12 this Financing Order by the Department will not result in gross income to the
13 Companies; (b) the issuance of Debt Securities and the issuance of RRBs will not
14 result in gross income to the Companies; and (c) SPE Debt Securities will be
15 treated as obligations of Boston Edison or Commonwealth, as the case may be,
16 for tax purposes.

17 Pursuant to G.L. c.164 § 1H(b)(4)(iii), the interest paid to holders of RRBs will be
18 exempt from taxes in The Commonwealth of Massachusetts, but not exempt from
19 federal income taxes or from taxes imposed in any other state.

1 **Q. How will the Companies use the proceeds from the issuance of the RRBs?**

2 A. Each of the Companies will use its allocable proceeds from the sale of the RRBs
3 (a) to fund their respective liquidation payments in connection with the
4 termination of their obligations under the PPAs, (b) to provide any credit
5 enhancement required for the RRBs other than to the funding of the capital
6 subaccounts, and (c) to pay transaction costs. In addition, Commonwealth may
7 use proceeds to reduce capitalization and for general corporate purposes. As
8 described in the testimony of Mr. Lubbock, net savings for customers will result
9 regardless of the Companies' allocation of the proceeds of the RRBs.

10 **Q. Do you request an exemption from the competitive bidding requirements of**
11 **G.L. c. 164, § 15 in connection with the sale of RRBs?**

12 A. Yes. The Companies believe that such an exemption for the RRB Transaction
13 would be in the public interest. Securitization financing, such as the RRB
14 Transaction, are highly structured, complex financings, that require significant
15 input from investment bankers. In addition, the Companies need a significant
16 amount of guidance and support from the investment bankers to comply with the
17 requirements established by the rating agencies to assure that the RRB
18 Transaction receives the highest possible rating. The competitive bidding
19 requirement established by Section 15 would materially inhibit the Companies'
20 ability to obtain the necessary levels of support and guidance. An investment
21 bank would not be willing to commit the significant resources and time

1 commitment necessary for a successful RRB Transaction if it had no assurance
2 that it would be retained to underwrite the RRB Transaction.

3 **Q. Do you request an exemption from the par value debt issuance requirements**
4 **of G.L. c. 164, § 15A?**

5 A. Yes. The Companies believe that such an exemption for the RRB Transaction
6 would be in the public interest. It is difficult for the Companies to price the RRBs
7 at par value at all times and still achieve the lowest interest rate available for such
8 securities. The requested exemption will allow the Companies to issue the RRBs
9 regardless of daily vagaries of the financial markets. Without the ability to set the
10 effective interest rate most precisely through a small discount on the par value of
11 the RRBs, the Companies could have to pay a slightly higher interest rate to sell
12 the RRBs resulting in lower savings to customers.

13 **Q. Does this conclude your testimony?**

14 A. Yes.

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Professional Experience:

1999 to Present	NSTAR Director, Corporate Finance & Cash Management Assistant Treasurer of BEC Funding, LLC	Boston, MA
1987 to 1999	Boston Edison Company Manager, Corporate Finance Treasurer of the NSTAR Foundation Senior Financial Analyst (1990-1991) Financial Analyst (1989-1990) Associate Financial Analyst (1987-1989)	Boston, MA

Primary Responsibilities:

1. Implement long-term financing plans for the Holding Company as well as for its subsidiaries.

Testified in the Company's DTE financing proceedings. The two largest included a \$ 1.1 billion authorization as well as a \$725 million stranded cost authorization.

Coordinate the issuance and redemption of company securities with Senior Management, the Board of Directors, the Trustees, Transfer Agent, SEC, Lawyers, Printers, Rating Agencies and the Investment Community.

Establish stock buy-back program and debt tender programs.

Maintain on-going relations with the Rating Agencies.

2. Analyze financing alternatives and capital markets. Perform capital structure analysis and recommend appropriate dividend and financing strategies.
3. Develop and implement Securitization Financing.
 - A) File financing plan with DTE.
 - B) Serve as expert witness.

- C) Secure all regulatory approvals (SEC, IRS, and DTE).
 - D) Coordinate structure and terms with investment bankers, Mass Agencies, lawyers, rating agencies, printers, DTE and SEC.
 - E) Develop rating agency presentation.
 - F) Performed an active role in road show.
1. Develop and manage access to short-term capital markets.
 - A) Establish and maintain relations with commercial banks and commercial paper dealers.
 - B) Establish, monitor and revise bank lines of credit.
 - C) Evaluate short-term financing alternatives.
 - D) Establish and maintain means to invest excess short-term cash.
 5. Ensure effective utilization of corporate cash on daily basis.
 - A) Monitor and analyze corporate cash balances.
 - B) Initiate electronic transfer of Company funds.
 - C) Manage short-term debt and investment portfolio.
 - D) Coordinate the issuance of commercial paper and bank loans.
 - E) Maintain appropriate records and reporting systems.
 6. Ensure Company compliance with SEC, trustee and security holder's regulations and requirements.
 - A) Ensure that the Company meets its financial and other obligations with respect to outstanding securities.
 - B) Maintain liaison with bond trustee, interest and dividend disbursing agents, and stock transfer agent.
 - C) Coordinate interest, dividends, principal and other payments as required.
 - D) Prepare compliance reports pursuant to Company financing agreements.
 6. Analyze and implement Lease Financing as a long-term financing alternative.
 - A) Conduct lease vs. buy analyses.
 - B) Determine most economic structure for both tax and accounting considerations.
 - C) Send out and evaluate RFP's.
 - D) Negotiate pricing and terms with lessors.
 - E) Draft and review legal documentation.
 - F) Effect the successful placement of desired leases.

- G) Coordinate communication between Company operating departments and lessors.
 - H) Assist operating departments in administration of lease program.
- 6. Perform the annual dividend study.
- 7. Administer the Company's Dividend Reinvestment Plan and Common Stock Purchase Plan.
- 8. As Treasurer of the Boston Edison Foundation, responsible for investment and disbursement of Foundation funds, as well as for financial statement preparation.
- 9. Perform financial consulting to various areas and miscellaneous financial analyses.
- 12. Corporate Cash Accounting Administration.
 - A) Coordinate all corporate cash disbursements and receipts as well as posting these transactions to the Company's general ledger system.
 - B) Perform all bank reconciliations; research variances and resolve as necessary.
- 13. Petty Cash & Travel Reimbursement.
 - A) Review for accuracy and appropriateness; issue checks.
 - B) Function as Travel Communication Center for employees.

1986-1987 Peat, Marwick, Mitchell & Co. Boston, MA

Tax Consultant, Tax Department
Prepared Partnership, Trust, Corporate and
Individual tax returns. Performed tax research.

1982-1984 Marine Midland Bank New York, NY

Designed econometric models in the
context of country risk analysis.

Education:

Cornell University, Ithaca, NY

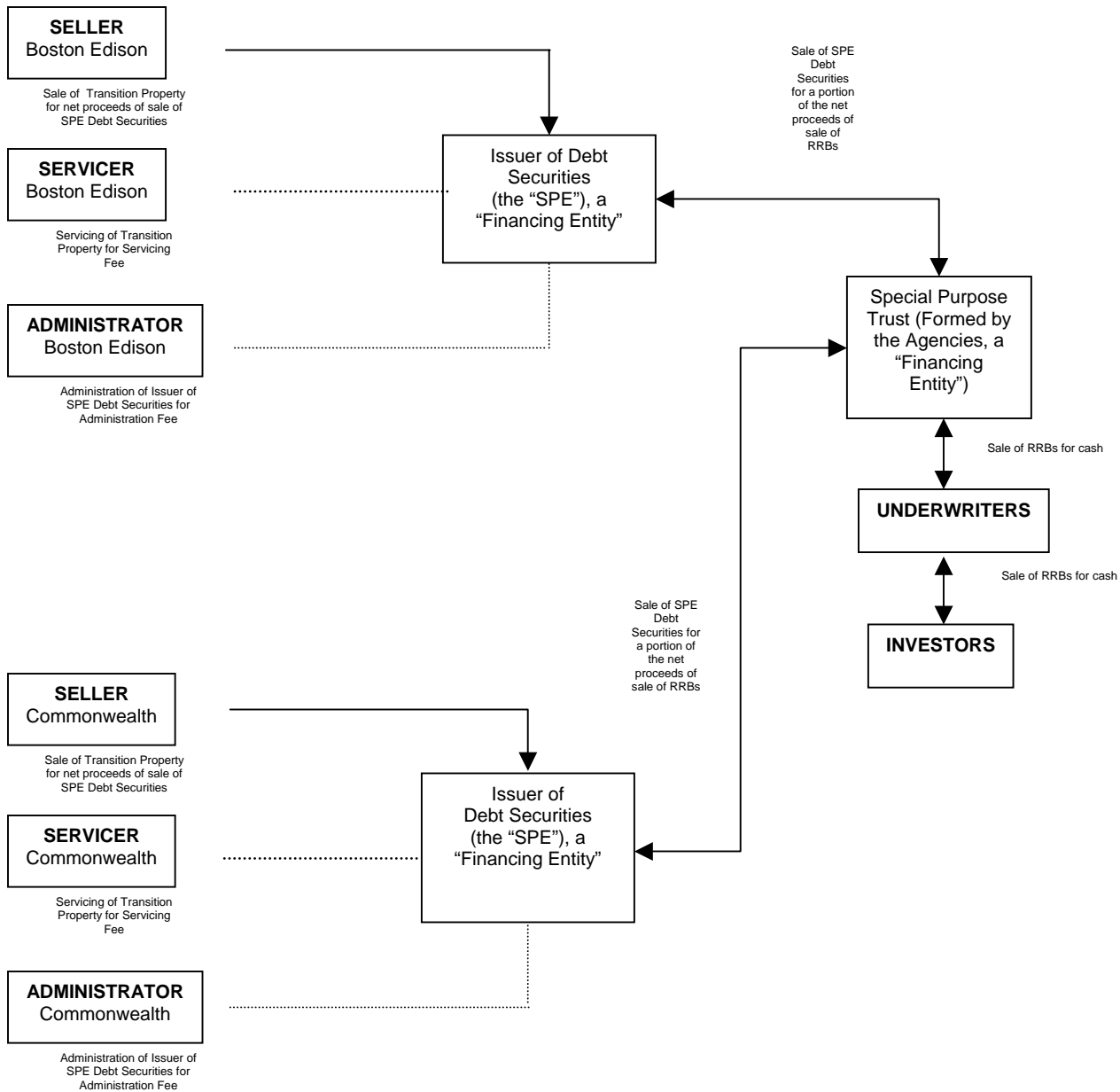
M.B.A with a concentration in Accounting and Finance,
May 1986

Columbia University, New York, NY

A.B. in Economics and Mathematics, May 1982
Phi Beta Kappa
Magna Cum Laude

References: Furnished upon request.

Parties to the RRB Transaction*



*Trustees not shown

Estimated RRB Transaction Costs (assumes \$674.5 million RRB Transaction)

	<u>Total</u>	<u>Boston Edison</u>	<u>Commonwealth</u>
	\$	\$	\$
Underwriting spread	2,853,135	1,123,065	1,730,070
Rating agency fees	637,250	250,837	386,413
/Accounting fees	80,000	31,490	48,510
SEC registration fee (.01267%)	85,523	33,702	51,820
D.T.E. filing fee (\$750 for first million plus \$150 for each additional million)	101,775	40,061	61,714
Printing and marketing expenses	100,000	39,362	60,638
Trustee fees and counsel	35,000	13,777	21,223
Legal fees and expenses*	1,839,000	723,876	1,115,124
Agency fees	200,000	78,725	121,275
Original issue discount	290,035	114,165	175,870
Lender consent fees	210,300	0	210,300
Day Loan	18,736	7,375	11,361
Miscellaneous costs	62,000	24,405	37,595
Total transaction costs of issuance	6,512,754	2,480,841	4,031,912

* Includes: \$400,000 for underwriters' counsel, \$339,000 for the Agencies' counsel; \$1.1 million for the Companies' corporate and regulatory counsel.

Estimated Ongoing Costs

	Total	Boston Edison	Commonwealth
	\$	\$	\$
Rating Agency Fees	7,500	2,952	4,548
Trustee Fees	20,000	7,872	12,128
Accounting/Legal Fees	20,000	7,872	12,128
Servicing fee (.05% of initial principal balance) *	337,250	132,750	204,500
Administrative Fees	75,000	29,522	45,478
Overcollateralization account	421,563	165,938	255,625
Miscellaneous	25,000	9,841	15,159
Total	906,313	356,747	549,565

* These costs will include:

- Billing, collecting and remitting the RTC Charges;
- Calculate daily amount of remittances to the SPE trustee;
- Wire transfer daily remittances to the SPE trustee;
- Prepare monthly servicer report for trustee and rating agencies;
- Prepare semi-annual servicer report for trustee;
- Manage and invest the various SPE cash accounts;
- Reflect all transactions on the financial statements;
- Perform periodic reconciliations with the trustee; and
- Perform annual true-up and adjust RTC Charge, as necessary.

RTC Charge True-Up Calculation

$$\text{RTC Charge} = \text{PRBA} / Q \times 100$$

where:

RTC Charge = Per kWh RTC Charge for combined retail customer usage during the Applicable Period (as defined below). The amount for the applicable company in cents/kWh, rounded to the nearest 0.001 cents, to be billed for each kWh sold or delivered to all retail customers in any monthly billing period during the Applicable Period.

PRBA = The total amount of RTC Charge required to be billed for energy sales to retail users of the applicable Company's distribution system, within the geographic service territory as in effect on July 1, 1997, during the Applicable Period to generate RTC Charge collections sufficient to provide for an amount equal to the sum of its Periodic Payment Requirements. The PRBA shall reflect (i) the shortfall or excess in recovery of the Periodic Payment Requirements collected during the prior Applicable Period and the resulting interest adjustments; (ii) uncollectibles (including any defaults in payment of RTC Charges by a Third Party Biller); (iii) any projected time lags between billing and collection of RTC Charges; and (iv) any time lags between a payment date and the latest date for which collections will be applied on any such payment date. The PRBA shall be determined in a manner consistent with the applicable Company's Expected Amortization Schedule for its respective SPE's Debt Securities.

Q = Projected kWh sales and deliveries to all customers of the applicable Company for the Applicable Period.

The "Applicable Period" shall be the period beginning with the first day of the first monthly billing period following the applicable Company's most recent filing hereunder and ending with the last day of the monthly billing period in which the Company expects to make the next filing hereunder.

A monthly billing period is the period beginning with the first billing date of a month and ending with the last billing date of such month.

**BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY
d/b/a NSTAR ELECTRIC**

Direct Testimony of Geoffrey O. Lubbock on Securitization

Exhibit NSTAR-GOL

D.T.E. 04-70

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Geoffrey O. Lubbock. My business address is One NSTAR Way,
4 Westwood, Massachusetts, 02090.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by NSTAR Electric & Gas Corporation (“NSTAR E&G”) as Vice
7 President, Financial Strategic Planning & Policy. In my current position, I am
8 responsible for a broad range of regulatory and financial planning responsibilities
9 for Boston Edison Company (“Boston Edison”), Cambridge Electric Light
10 Company (“Cambridge”), Commonwealth Electric Company (“Commonwealth”)
11 (collectively, “NSTAR Electric”) and NSTAR Gas Company.

12 **Q. Please describe your education and professional background.**

13 A. I have a Bachelor and Master of Arts from Cambridge University and a Masters
14 Degree in Business from the London Graduate School of Business. I joined
15 Boston Edison in 1988 as Manager of Revenue Requirements. In 1991, I became
16 Manager of Revenue Requirements and Financial Planning. In 1993, I became
17 Manager of Energy Research Planning and Forecasting. In 1995, I became
18 Manager of Corporate Service Commitments and in 1997, I became Director of

1 Generation Divestiture. I assumed my current position in July 1998. Prior to
2 Boston Edison, I was with the Cabot Corporation, Exxon Corporation and
3 Citibank.

4 **Q. Have you previously testified in any formal hearings before regulatory**
5 **bodies?**

6 A. Yes, on a number of occasions. I testified before the Department of
7 Telecommunications and Energy (the “Department”) most recently to support the
8 restructuring of the several purchase power contracts in D.T.E. 04-60, 04-61 and
9 04-68. In addition, I testified to support Boston Edison’s Restructuring
10 Settlement Agreement in D.P.U./D.T.E. 96-23 and in connection with approval of
11 the divestiture of Boston Edison’s fossil generation assets in D.T.E. 97-113. I
12 have also testified before the Department on behalf of Boston Edison in
13 connection with the approval of its sale of the Pilgrim Nuclear Power Station to
14 Entergy Nuclear Generation Company in D.T.E. 98-119 and the securitization
15 related to the Pilgrim sale in D.T.E. 98-118.

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is: (a) to provide background to Boston Edison’s
18 and Commonwealth’s (together, the “Companies”) proposed securitization of a
19 portion of their transition costs relating to the Companies’ termination of power
20 purchase agreements (“PPAs”) with MASSPOWER and, in the case of
21 Commonwealth, termination of its obligations to purchase power from Dartmouth

1 Power Associates, L.P. (“Dartmouth”) and Commonwealth’s deferred transition
2 costs through the issuance of electric rate reduction bonds (the “RRB
3 Transaction”); (b) to describe how the principal amount of electric rate reduction
4 bonds (the “RRBs”) will be determined; (c) to demonstrate the savings to the
5 Companies’ customers resulting from the RRB Transaction; and (d) to discuss
6 other related matters.

7 **Q. Are the Companies submitting the testimony of other witnesses in this**
8 **proceeding?**

9 A. Yes. In addition to my own testimony, the Companies are sponsoring the
10 testimony of Emilie O’Neil and testimony from John Fernando of Lehman
11 Brothers to provide other details of the RRBs.

12 **Q. What is the regulatory and statutory basis for the RRB Transaction?**

13 A. In Boston Edison’s Settlement Agreement (the “Settlement Agreement”), as well
14 as the Restructuring Plan (the “Restructuring Plan”) for Cambridge and
15 Commonwealth, the Department has approved a transition charge for each of the
16 Companies intended to recover on a fully reconciling basis, all of their transition
17 costs, including the reimbursable transition costs amounts being securitized.

18 While not requiring securitization, G.L. c. 164, §§ 1G and 1H (adopted as part of
19 Chapter 164 of the Acts of 1997 (the “Restructuring Act”)) establishes the
20 statutory basis for issuing RRBs that will result in net savings for customers. G.L.
21 c. 164, § 1H(b)(1) provides that the Department may issue a financing order to

1 facilitate the securitization of transition costs. G.L. c. 164, § 1H(b)(2) allows
2 electric companies to apply for such financing orders from the Department by
3 January 1, 1999, or from time to time thereafter.

4 **Q. Please describe the exhibits attached to your testimony.**

5 A. NSTAR-GOL-1 A summary of the MASSPOWER, Dartmouth and
6 deferred balance securitization amounts and
7 securitization savings.

8 NSTAR-COM-GOL-1 A multi-page document that computes the amount
9 of the securitization associated with the 2004 year-
10 end deferral, the remaining fixed component of the
11 Transition Charge and some specific variable
12 component items (deferral securitization amount).

13 NSTAR-COM-GOL-2 A single-page document summarizing the total
14 Commonwealth customer savings produced by
15 securitizing the Commonwealth deferral and other
16 fixed charges (deferral securitization).

17 NSTAR-COM-GOL-3 A multi-page document that details the forecasted
18 Commonwealth Transition Charges in the absence
19 of the MASSPOWER and Dartmouth Agreements
20 or the securitization thereof (status quo case).

21 NSTAR-COM-GOL-4 A multi-page document that details the forecasted
22 Commonwealth Transition Charges with the impact
23 of the deferral securitization (deferral securitization
24 case).

25 **II. PROPOSED SECURITIZATION TRANSACTION**

26 **Q. Please describe the transition costs proposed to be securitized by the**
27 **Companies under G.L. c. 164, § 1H.**

28 A. By means of the RRB Transaction, and in accordance with G.L. c. 164, § 1H, the
29 Companies seek to securitize as reimbursable transition costs amounts: (1)

1 payments associated with the termination of the Companies' obligations pursuant
2 to PPAs with MASSPOWER and, in the case of Commonwealth, Dartmouth; (2)
3 the recovery of certain transition costs deferred by Commonwealth pursuant to the
4 Restructuring Plan; (3) the upfront transaction costs of issuing the RRBs; (4) the
5 ongoing transaction costs of the RRBs; and (5) any required credit enhancement
6 in connection with the RRBs. The reimbursable transition costs amounts
7 ultimately securitized will be subject to adjustment based on the timing of the
8 closing of the RBB Transaction, the actual costs of issuing the RRBs, input from
9 rating agencies and changes in the proposed RRB Transaction not now
10 anticipated. The components of the reimbursable transition costs amounts are
11 described in more detail below.

12 1. Contract Buyout Costs.

13 In connection with the termination of the obligations under
14 MASSPOWER and Dartmouth contracts, the Companies are seeking
15 approval of the contract liquidation payments, which will release the
16 Companies and their customers from their obligations under the remaining
17 term of the respective PPAs, in separate petitions to the Department
18 (D.T.E. 04-61 and D.T.E. 04-78). Pursuant to the petitions, the
19 Companies seek Department approval of such amounts as reimbursable

1 transition costs amounts and to include the right to recover such amounts
2 through the applicable transition charge (the "RTC Charge").

3 2. Deferred Transition Costs.

4 The Department approved Commonwealth's Restructuring Plan in
5 D.P.U./D.T.E. 97-111 and 97-111-A. In that proceeding, the Department
6 found that the types of costs claimed by Commonwealth as transition costs
7 in its Restructuring Plan are those types for which G.L. c. 164, § 1G
8 allows recovery. In addition, in recognition of the need to achieve the
9 statutorily required rate reductions, the Department authorized
10 Commonwealth to defer the amount by which, in any given period,
11 Commonwealth's actual transition charges exceed the transition charges
12 actually collected during that period. The deferred transition costs consist
13 primarily of the above-market portion of PPAs to which Commonwealth is
14 a party. In addition, Commonwealth seeks to securitize the remaining
15 fixed component of the access charge and the incentive mitigation from
16 the prior PPA buyouts of Lowell, Pilgrim and Seabrook. Commonwealth
17 seeks approval from the Department to recover its outstanding deferred
18 transition cost balance at the time the Companies issue the RRBs through
19 the RTC Charge.

1 3. Upfront Transaction Costs of Issuing RRBs.

2 The Companies will incur upfront transaction costs related to issuance of
3 RRBs, as described in more detail in Exhibit NSTAR-EGO-3 in order to
4 issue RRBs and achieve net savings for the benefit of its customers. G.L.
5 c. 164, § 1H specifically provides that a financing order shall include
6 recovery of the costs of issuing RRBs and defines Transition Property to
7 include the costs of providing, issuing, servicing and retiring RRBs. In
8 conformity with Boston Edison's prior securitization, the Companies
9 again seek to recover the transaction costs of issuing RRBs as
10 reimbursable transition costs amounts out of the proceeds of the RRB
11 Transaction and to include the right to recover such amounts as Transition
12 Property. The recovery of such Transition Property will be reflected in the
13 RTC Charge.

14 4. Ongoing Transaction Costs.

15 The Companies also seek recovery of ongoing transaction costs as
16 reimbursable transition costs amounts through the RTC Charge in
17 accordance with G.L. c. 164, § 1H, and the right to recover these
18 reimbursable transition costs amounts will constitute Transition Property.
19 The ongoing transaction costs associated with the RRB Transaction are
20 more fully described in Exhibit NSTAR-EGO-4.

1 **Q. What is the Companies' current estimate of the principal balance of RRBs**
2 **proposed to be issued?**

3 A. The Companies estimate of the initial principal amount of the RRBs is \$675
4 million. Although Exhibit NSTAR-GOL-1 shows a total securitization amount of
5 approximately \$700 million, this amount is expected to decrease by
6 approximately \$25 million due to the fact that Commonwealth will not be
7 required to pay certain prepayment premiums related to its existing debt, as
8 explained by Ms. O'Neil in Exhibit NSTAR-EGO, and lower estimated issuance
9 costs than used in the exhibit. This amount is subject to further adjustment based
10 on the timing of the closing of the MASSPOWER and Dartmouth transactions,
11 the amount of the outstanding balance of Commonwealth's deferred transition
12 costs at the time of closing, the actual transaction costs arising in connection with
13 the RRB Transaction, input from rating agencies, and changes in the proposed
14 RRB Transaction not now anticipated. The Companies propose to finalize the
15 principal amount of the RRBs in the Issuance Advice Letters (as described in
16 Exhibit NSTAR-EGO) with the Department filed after the pricing of the RRBs,
17 but prior to their issuance, to be effective automatically upon filing.

18 **Q. Please describe how the Companies fully mitigated the transition costs**
19 **proposed to be securitized in accordance with G.L. c. 164, § 1G(d)(4)(i).**

20 A. Boston Edison and Commonwealth (together with Cambridge) have attempted to
21 divest or renegotiate their respective PPAs since the enactment of the
22 Restructuring Act. Boston Edison discussed its mitigation efforts in three

1 mitigation reports filed with the Department (see Boston Edison Company,
2 Cambridge Electric Light Company, Commonwealth Electric Company, D.T.E.
3 00-70 (Mitigation Report of NSTAR Electric (January 19, 2001)); Department
4 Investigation of Power Purchase Agreement Mitigation, D.T.E. 99-62 (August 24,
5 1999 Mitigation Report of Boston Edison Company); Department Investigation of
6 Power Purchase Agreement Mitigation, D.T.E. 98-62 (July 30, 1998 Mitigation
7 Report of Boston Edison Company)). In addition, Boston Edison submitted a
8 PPA Divestiture Plan to the Department in June 1998, which provided for a
9 combination of continued bilateral negotiations with the PPA sellers and an
10 auction process to assign the rights to the PPA entitlements to be conducted in
11 1999.

12 Cambridge and Commonwealth's mitigation efforts were included in
13 D.T.E. 00-70 (Mitigation Report of NSTAR Electric), referenced above, and also
14 in mitigation reports filed in D.T.E. 99-62 (August 23, 1999) and in D.T.E. 98-62
15 (July 31, 1998). Cambridge and Commonwealth, with the assistance of the
16 investment banking firm Goldman Sachs & Co., attempted to divest their
17 entitlements through a separate entitlement auction held with their 1998 auction to
18 divest generation assets. Neither of these auctions resulted in bids that would
19 have provided mitigation benefits to customers. However, the Companies have
20 successfully bought out, bought down or otherwise renegotiated contractual

1 obligations with individual suppliers in a way that has provided mitigation of
2 transition costs for customers as described in D.T.E. 04-60, D.T.E. 04-61, D.T.E.
3 04-68 and D.T.E. 04-78.

4 **Q. Which transition costs do the Companies anticipate will be subject to an**
5 **audit pursuant to G.L. c. 164, § 1G(a)(2).**

6 A. As required by G.L. c. 164, § 1G(a)(2), the Department may, at the Companies'
7 expense, audit, review and reconcile the difference, if any, between assumed
8 reimbursable transition costs amounts and the actual reimbursable transition costs
9 amounts, not less often than once during each 18-month period following the
10 effective date of the Financing Order. Such audit, review and reconciliation
11 should not include the actual amounts described below and known at the time of
12 pricing of the RRBs and filing of the Issuance Advice Letters. Orders of the
13 Department in D.T.E. 04-61 and 04-78, and in D.P.U./D.T.E. 97-111 and 97-111-
14 A (and annual transition-cost reconciliation proceedings) have, or will have
15 established and authorized as actual and fully mitigated, for purposes of G.L. c.
16 164, § 1G(a)(2), the amount to be recovered. The Companies request that the
17 Department find the following costs to be actual: the transaction costs of issuing
18 the RRBs, ongoing transaction costs (other than legal and accounting fees and
19 other miscellaneous fees) and any required credit enhancement (collectively with
20 the above transition costs, the "actual reimbursable transition costs amounts").

1 Therefore, no audit of the Companies pursuant to G.L. c. 164, § 1G(a)(2) is
2 necessary with respect to such actual reimbursable transition costs amounts.

3 **Q. How do the Companies propose to implement the provisions of G.L. c. 164, §**
4 **1G(a)(2) requiring a periodic Department review to determine if the amount**
5 **of reimbursable transition costs amounts proved to be accurate?**

6 A. G.L. c. 164, § 1G(a)(2) states that the Department shall review a financing order
7 periodically, at a minimum not less than every 18 months from the inception of
8 the original order, to determine if the amount of reimbursable transition costs
9 amounts proved to be accurate. The statute also limits the review to a comparison
10 of assumed costs and assumed mitigation with actual costs and actual mitigation,
11 so such review would not apply to the actual reimbursable transition costs
12 amounts. To the extent reimbursable transition costs amounts previously included
13 in a financing order exceed the correct amount, the Companies will provide
14 customers with a uniform rate credit through the mechanism of their annual
15 transition charge update.

16 **Q. What is the impact of any uniform rate credit on the right of the Companies,**
17 **or any successor Servicers of the Transition Property, to collect RTC**
18 **Charges in amounts necessary to satisfy an amount equal to the sum of the**
19 **Periodic Payment Requirements for the upcoming period?**

20 A. As provided in G.L. c. 164 § 1G(a)(2), any uniform rate credit resulting from an
21 audit will not diminish the right of the Companies, or any successor servicer of
22 the Transition Property, to collect RTC Charges in an amount equal to the sum of
23 the Periodic Payment Requirements for the upcoming period, as the same come

1 due. This provision protects the status of the transfer of the Transition Property as
2 a true sale (as described in Exhibit NSTAR-JF) and will not reduce or impair the
3 value of the Transition Property.

4 **Q. How will the Companies ensure that customers pay the appropriate**
5 **amounts?**

6 A. Each of the Companies will establish a memorandum account. Through this non-
7 cash account each of the Companies will account for, and ultimately credit to
8 customers, any amounts remaining in the collection account and the various
9 subaccounts of each of the Companies' Special Purpose Entity ("SPE") (as
10 described in the testimony of Ms. O'Neil in Exhibit NSTAR-EGO), other than
11 amounts in the capital subaccount, after such SPE's Total Payment Requirements
12 have been discharged. These amounts will be released to each respective SPE in
13 accordance with G.L.c. 164, § 1H(b)(7) upon discharge of such SPE's Total
14 Payment Requirements. These benefits will inure to the benefit of customers
15 through a credit to their transition charge.

16 **Q. What is the importance of the RRB Transaction to the termination of the**
17 **Companies' obligations pursuant to the MASSPOWER and Dartmouth**
18 **PPAs?**

19 A. Termination of the Companies' obligations to purchase power pursuant to the
20 MASSPOWER and Dartmouth contracts will require significant lump-sum cash
21 payments, which cannot be funded without appropriate financing. As a result, the
22 completion of the RRB Transaction is a closing condition of the Companies to the

1 termination of the Companies' obligations pursuant to the MASSPOWER and
2 Dartmouth PPAs and will further assure the full mitigation of transition costs.
3 The RRB Transaction is, therefore, an essential element of the Companies'
4 overall proposal with respect to the MASSPOWER and Dartmouth buyouts, and,
5 accordingly, the Companies' financial evaluation of the terminations is premised
6 upon approval and implementation of the RRB Transaction.

7 **Q. Is Department approval required as a condition of the MASSPOWER and**
8 **Dartmouth Agreements?**

9 A. Yes. Boston Edison and Commonwealth must receive a final order from the
10 Department approving the buyouts of the MASSPOWER and Dartmouth PPAs in
11 accordance with the MASSPOWER and Dartmouth Agreements and approving
12 the full recovery of payments made pursuant under the MASSPOWER and
13 Dartmouth Agreements through the RTC Charge. If Department approval is not
14 received, the existing PPAs will remain unchanged and the Companies will
15 continue to be obligated to purchase power from the MASSPOWER and
16 Dartmouth facilities on the existing terms.

17 **Q. Please explain how the order of preference to securitize transition costs**
18 **complies with G.L. c. 164, § 1G(d)(4)(v).**

19 A. G.L. c. 164, § 1G(d)(4)(v) requires an electric company to establish an order of
20 preference such that transition costs having the greatest impact on customer rates
21 will be the first to be reduced by the securitization. These transition costs reflect
22 all of the transition costs that the Companies believe may be securitized at this

1 time. Effectively all the remaining transition costs represent PPAs that will be
2 paid over time in the future. Because the above-market cost of most of the
3 purchased power cannot be determined precisely until the time of payment, the
4 amount eligible to be securitized would not be known until some future date.
5 While it might be possible to securitize the future payments to purchased power
6 suppliers where the future payments are fixed and currently known, the interest
7 arbitrage between borrowing at the securitization rate and the available
8 investment with a AAA investment company is negative. Thus, no benefits
9 would accrue to customers from securitizing these future cash obligations.

10 **Q. How will the RRB Transaction benefit the Companies' customers?**

11 A. G.L. c. 164, § 1G(d)(4) requires an electric company seeking to securitize its
12 transition costs to prove to the satisfaction of the Department that savings to
13 customers will result and that such savings inure to the benefit of customers. In
14 addition, G.L. c. 164, § 1H(b)(2) requires the Department to find that the RRB
15 Transaction would reduce rates that an electric company's customers would have
16 paid if a financing order were not adopted. The RRB Transaction will result in
17 net savings for the Companies' customers by reducing the net present value
18 ("NPV") of the future transition charge payments that would be required to be
19 paid by customers by \$130 million. Although Exhibit NSTAR-GOL-1, line 2
20 column G shows net savings of \$114 million, as I described above,
21 Commonwealth is no longer expected to be required to pay certain prepayment

1 premiums and, as a result, the savings are expected to increase by approximately
2 \$16 million from the savings shown on the exhibit. This exhibit shows savings
3 from securitization of: Boston Edison's MASSPOWER buyout; Commonwealth's
4 MASSPOWER buyout; Commonwealth's Dartmouth Buyout; and
5 Commonwealth's deferred transition charges. Based on these demonstrated
6 savings, the Companies ask the Department to find that the proposed transaction
7 results in customer savings and, thus, is in the public interest.

8 **Q. Please describe the methodology for determining the securitization amounts**
9 **and the securitization savings that will result from the RRB Transaction.**

10 A. The savings that result from the RRB Transaction is determined by the reduction
11 in the NPV of transition charge payments to be paid by customers assuming
12 financing through securitization in comparison to the NPV of the transition charge
13 that would have been paid without the buyouts and securitization. The
14 MASSPOWER savings, securitization amounts and the sources for these numbers
15 are shown on Exhibit NSTAR-GOL-1. The savings are taken from D.T.E. 04-61
16 in Exhibits NSTAR-BEC-GOL-2 and NSTAR-COM-GOL-2 and the
17 securitization amounts are taken from D.T.E. 04-61 in Exhibit NSTAR-GOL-2.
18 The Dartmouth savings and securitization amounts and the sources for these
19 numbers are also shown on Exhibit NSTAR-GOL-1. The savings are taken from
20 D.T.E. 04-78, Exhibit NSTAR-COM-GOL-2, and the securitization amounts are
21 taken from D.T.E. 04-78, Exhibit NSTAR-GOL-1. The securitization savings

1 from securitizing the deferral balance can be found in the filings for this
2 proceeding in Exhibit NSTAR-COM-GOL-2 in the last line of column D and the
3 related securitization amount is shown in NSTAR-COM-GOL-1 on page 1, line
4 10.

5 **Q. Please describe the methodology for determining savings that will result from**
6 **the RRB Transaction for the securitization of the MASSPOWER and**
7 **Dartmouth buyouts.**

8 A. In D.T.E. 04-61 and D.T.E. 04-78, the Companies described the savings from the
9 securitization of these buyouts by comparing the transition charge before the
10 buyouts with the transition charge after securitizing the buyouts. Since the
11 Companies cannot complete the buyouts without financing and, therefore, the
12 contract buyouts are contingent upon Department approval of securitization, the
13 savings amount as a result of securitization are the full NPV savings, being the
14 difference in the net present value of transition charges assuming status quo (no
15 buyout) verses buyout with securitization.

16 **Q. Please describe if there are any circumstances which could adversely affect**
17 **or eliminate customer savings.**

18 A. The most significant unknown in the securitization is the coupon rate for the
19 securitization bonds, which affects the interest cost component of the
20 securitization. If the interest or coupon rate was higher than we have assumed or
21 the buyout was financed with alternative (i.e., non-securitization) financing there
22 is an interest rate level at which the buyout would no longer be financially

1 beneficial for customers. A simple method of finding the interest rate at which
2 the buyout is no longer attractive is to determine by how much the present value
3 of the interest cost component would need to increase to eliminate the present
4 value savings of the buyout. Because every basis point increase in the financing
5 rate results in a proportional increase in the present value of the interest cost, one
6 can find the “break-even” interest rate (at which no savings are left) in a
7 straightforward way: The “break-even” interest rate is simply the ratio of the
8 present value of the interest cost PLUS the present value of the savings to the
9 present value of the interest cost, multiplied by the assumed interest rate. In the
10 case of MASSPOWER, the interest rate could rise to 9.1 percent before savings
11 would be eliminated. This percentage is calculated by multiplying the assumed
12 securitization rate of 4.5 percent by the sum of the present value of the interest
13 cost (D.T.E. 04-61, Exhibit NSTAR-GOL-2, page 2, line 1, columns L and M)
14 and the present value savings (D.T.E. 04-70, Exhibit NSTAR-GOL-1, line 2,
15 columns B and C) and dividing by the present value of the interest cost. In the
16 case of Dartmouth, the interest rate could increase to 8.4 percent before all the
17 savings are eliminated (D.T.E. 04-61, Exhibit NSTAR-GOL-1, line 2, column D
18 and D.T.E. 04-78, Exhibit NSTAR-COM-GOL-1, page 2, line 1, column G). In
19 the case of the deferral securitization, the interest rate could increase to 7.9
20 percent (Exhibit NSTAR-COM-GOL-2, page 1 and Exhibit NSTAR-COM-GOL-
21 1, page 2, line 1, column G).

1 **Q. Based on this analysis, what is the maximum financing cost before customer**
2 **benefits would be eliminated?**

3 A. At a financing cost above 7.9 percent, there would no longer be savings to
4 customers from securitizing the deferral. Similarly, if the finance rate was above
5 8.4 percent, the Dartmouth buyout would no longer benefit customers, and, if the
6 financing rate was above 9.1 percent, the MASSPOWER buyout would not
7 benefit customers. However, the Companies believe that the financing rates for
8 the RRB transaction will likely be far less than these levels when the Companies
9 plan to issue the RRBs.

10 **Q. Please describe the methodology for determining savings that will result from**
11 **the securitization of Commonwealth's deferred transition charge balance.**

12 A. Exhibit NSTAR-COM-GOL-2 shows the comparison of the transition charge
13 before and after securitizing the deferral balance, combined with the remaining
14 fixed component of the transition charge and fixed amounts of the incentive
15 mitigation for the previous buyouts of Lowell, Pilgrim and Seabrook (hereafter, I
16 will refer to this amount as the "Deferral", and without these additional items, I
17 will refer to it as the "deferral balance"). Column B shows the status quo and is
18 taken from Exhibit NSTAR-COM-GOL-3, page 1, column D "Revenues for
19 Delivered GWH." Column C shows the securitization results and is taken from
20 Exhibit NSTAR-COM-GOL-4, page 1, column D "Revenues for Delivered
21 GWH." The difference between the before (status quo) and after securitization is
22 the difference between columns B and C and is shown in Column D "Customer

1 Savings.” Exhibit NSTAR-COM-GOL-3 shows the forecasted transition charge
2 to be paid by Commonwealth customers prior to any buyouts or securitizations.
3 This exhibit is identical to the same numbered exhibit in all the Commonwealth
4 buyout/buydown filings (D.T.E. 04-60 and 04-61) and reflects the status quo. The
5 format is the same as the annual update filings and this schedule is the same as
6 that filed in the 2003 annual update to the Department. Each year the NSTAR
7 Electric companies file with the Department their latest forecast of transition costs
8 to set the rates for the succeeding year. The last reconciliation for
9 Commonwealth was filed in D.T.E. 03-118, as updated on March 1, 2004. For
10 Commonwealth, Exhibit COM-JFL-1 (Supp) is the most recent submission to the
11 Department of the annual transition charge as filed in that update. Exhibit
12 NSTAR-COM-GOL-3 in this filing contains updated forecasts for transition costs
13 based on actual results through May 2004 and Commonwealth Energy Advisors’
14 purchased power forecasts thereafter. This exhibit provides the base case or
15 status quo transition charge forecasts against which the changes resulting from the
16 securitization of the Deferral are measured.

17 **Q. How are the Transition Charges to be paid by Commonwealth’s customers**
18 **after securitization of the Deferral determined?**

19 A. Exhibit NSTAR-COM-GOL-4 is in the same format as Exhibit NSTAR-COM-
20 GOL-3, and computes transition charges assuming securitization of the Deferral.
21 The exhibit does not include consulting, legal costs incurred by the Companies as

1 part of the securitization calculation in Exhibit NSTAR-COM-GOL-1 because
2 they were included in the calculation of savings associated with securitization of
3 the MASSPOWER and Dartmouth buyouts.

4 **Q. How have you determined the customer savings resulting from securitization**
5 **of the Deferral?**

6 A. The impact of the Deferral securitization is calculated completely independently
7 from the MASSPOWER and Dartmouth securitizations. For this reason the
8 savings are additive and the results show that securitization of all these amounts
9 show customer savings. Exhibit NSTAR-COM-GOL-2 shows savings from
10 securitization of Commonwealth's Deferral versus the status quo.

11 **Q. How have you determined the impact of the securitization transaction on the**
12 **transition charge?**

13 A. Exhibit NSTAR-COM-GOL-4 incorporates the impact of the Deferral
14 securitization. It removes the amounts that would have been paid by customers
15 without securitization and adds in instead the RRB debt service payments. The
16 amounts that would have been paid absent securitization are indicated by shaded
17 areas and are as follows: Fixed component – page 3; other adjustments – page 5;
18 the deferral amount is shown as a reduction in the other charges – page 5. These
19 items are reflected in the securitization calculation in Exhibit NSTAR-COM-
20 GOL-1. The projected annual debt service requirements for the RRBs are listed
21 on Exhibit NSTAR-COM-GOL-4 on page 5 column E2 titled "Securitization

1 Debt Service Payments” and are taken from Exhibit NSTAR-COM-GOL-1 page
2 7. The net impact is carried forward to page 1 on Exhibit NSTAR-COM-GOL-4
3 to determine the transition costs to be paid by customers after securitization.

4 **Q. How have you calculated the amount to be securitized?**

5 A. The total amount to be securitized is summarized on page 1 of Exhibit NSTAR-
6 COM-GOL-1. The amount to be securitized is the after-tax present value of the
7 deferral balance and the future cash-flow revenues related to the fixed component
8 and the mitigation incentives in the transition charge as described above. The
9 securitized amount also includes the after-tax cash flow revenues associated with
10 incremental RRB issuance costs related to the securitization of these amounts,
11 such as the underwriting spread. This calculation is shown in Exhibit NSTAR-
12 COM-GOL-1.

13 **Q. How have you organized Exhibit NSTAR-COM-GOL-1?**

14 A. The exhibit consists of five sections: as described above, page 1 is a summary of
15 the securitization amount; pages 2 through 5 show the monthly cash-flow revenue
16 requirements that form the basis for the securitization amount (columns B through
17 E) and the related RRB debt-service requirements (columns F through H); page 6
18 shows the state and federal income tax rates and payment schedules; and page 7
19 shows the annual RRB debt service requirements, which are then carried forward
20 to the calculation of the customers’ transition charge in Exhibit NSTAR-COM-

1 GOL-4, page 5. Page 8 shows the monthly revenues associated with the fixed
2 component and the mitigation incentives.

3 **Q. Please explain in more detail the securitized amount calculation summary on**
4 **page 1.**

5 A. The deferral amount is taken from Exhibit NSTAR-COM-GOL-3, page 1, column
6 K for 2004, which is the forecast of the deferral balance at the time of the filing.
7 There is, in addition, an interest component, reflecting a carrying charge for the
8 deferral, to recover interest for the period from January 1, 2005 to the time of
9 securitization on the deferral balance. If this interest calculation were not
10 included, Commonwealth would be negatively affected by receiving no carrying
11 charge for the deferral for the first three months of 2005 (assuming a March 31st
12 closing). The final portion of the securitization is the present value of the
13 remaining portion of the fixed component and the mitigation incentive fixed
14 payments for the period 2005 through 2026.

15 **Q. What is the “tax shield” referenced on page 1 of Exhibit NSTAR-COM-**
16 **GOL-1?**

17 A. The securitization is calculating the net of tax cash flows to Commonwealth.
18 These flows have a tax impact and thus the cash flows are calculated net of tax.
19 The tax impact is termed tax shield.

1 **Q. Why is there a tax shield from the issuance cost on page 1, line 6 of Exhibit**
2 **NSTAR-COM-GOL-1?**

3 A. The issuance cost for the securitization is not tax deductible in the year that it is
4 incurred; rather, it is deductible only over the life of the securitization. For
5 accounting purposes, Commonwealth pays out the issuance costs on the first day
6 and obtains the cash necessary to pay such amounts from the proceeds of the
7 RRBs — thus, there are no cash gains or losses for Commonwealth. However for
8 tax purposes, the Company will receive the cash-flow benefit of the tax
9 deductibility of the amortization of the issuance cost over the life of the RRBs and
10 this benefit is flowed back to customers. On the other hand, there is no tax benefit
11 associated with the receipt of customer payments that are required to service the
12 principal portion of the RRBs, so Commonwealth will have to pay taxes on a
13 current basis to the extent of such amounts as they are received over the life of the
14 RRBs. Because issuance costs were financed out of proceeds of the RRBs, a
15 portion of each payment from customers related to the principal portion of the
16 RRBs will be related to such issuance costs. Thus, Commonwealth receives RRB
17 proceeds to pay the issuance costs on day 1 and it provides customers with any
18 cash flow benefit it receives as a result of the difference between expensing the
19 amortization of issuance costs for tax purposes and the recovery of the issuance
20 costs over the life of the RRBs. The tax impact on the recovery of issuance costs
21 from customers is already counted in the present value of the tax on customer

1 payments related to the principal of the RRBs (column E of pages 2 through 5,
2 present valued on line 1 and carried to line 7 of page 1 of Exhibit NSTAR-COM-
3 GOL-1). Taking out the present value of the tax shield from issuance costs
4 (column D of pages 2 through 5, present valued on line 1 and carried to line 6 of
5 page 1) assures that neither customers nor the Company gains or loses as part of
6 the taxes on the issuance costs.

7 **Q. Why does Commonwealth add the present value of the payment of taxes on**
8 **the principal in determining the amount to be securitized on line 7 of page 1**
9 **of Exhibit NSTAR-COM-GOL-1?**

10 A. When Commonwealth collects in rates payments from customers that reflect the
11 principal portion of payments on the RRBs, it does not have an offsetting tax
12 deduction. As a result, Commonwealth must pay federal and state income taxes
13 on these amounts. Commonwealth must generate cash to pay these taxes which
14 must be recovered from customers so that Commonwealth will recover all
15 transition costs. Just as the customers are credited for the tax savings associated
16 with the transaction on line 5 of page 1 (column B of pages 2 through 5, present
17 valued on line 1 of Exhibit NSTAR-COM-GOL-1), Commonwealth must be
18 credited for the subsequent payment of taxes on line 7 (column E of pages 2
19 through 5 (present valued on line 1)). The cash-flow benefits of the tax streams
20 are the sum of lines 5 through 7 on Page 1.

1 **Q. Why has Commonwealth added issuance costs to the present value of the**
2 **cash flow streams on line 9 of page 1 of Exhibit NSTAR-COM-GOL-1?**

3 A. Issuance costs are unavoidable costs of the transaction, the largest portion of
4 which is the underwriters' fees. The amount included here is a forecast, and
5 Commonwealth proposes to reconcile the forecast amount to the actual issuance
6 costs. The reconciliation amount will be paid back or collected through the
7 variable component of the transition charge, as was done in Boston Edison's prior
8 securitization filing.

9 **Q. Please could you explain pages 2 through 5 of Exhibit NSTAR-COM-GOL-1,**
10 **monthly cash flow?**

11 A. Columns B through E show Commonwealth cash flows being securitized.
12 Columns F through I show the securitization balances and payments made by
13 customers through transition charges that relate to the principal and interest
14 requirements on the RRBs.

15 **Q. What is displayed in each of the columns?**

16 A. Column B shows the total deferral balance in period 1 (March 2005) and the fixed
17 annual amounts, converted to monthly amounts, collected through the transition
18 charge. The fixed component and mitigation incentives revenue amounts
19 converted to the monthly charge are shown on page 8. Column C shows the tax
20 benefit that Commonwealth has already received that relates to the amounts
21 reflected in column B (i.e., the tax shields) from the deductibility of the deferral

1 balance for period 1 (since that is collected at one time) and the on-going tax
2 shields for the items paid over time. Tax payments are made quarterly for state
3 tax purposes based on the forecast income for the year as follows: 40 percent in
4 March; 25 percent in June; 25 percent in September; and 10 percent in December
5 (as shown on page 6 lines 3 through 6). Federal tax payments are made on
6 December 15th each year. Column D shows the tax shield relating to the cash
7 flow benefits received by Commonwealth as the issuance costs are amortized over
8 the life of the RRBs. The issuance costs on page 1, line 9 are divided by the 96-
9 month (eight-year) period and multiplied by the effective tax rate on page 8.
10 Column E shows the tax that is actually paid by Commonwealth as a result of
11 revenues from customers related to the principal payments on the RRBs. It is
12 calculated by multiplying the principal repayment for each year as shown on
13 column F and applying the state tax percentage (6.5 percent) for each quarter and
14 applying the federal tax rate (page 6, line 10 being 32.725 percent after the state
15 tax deduction allowed for federal taxes) to arrive at the federal tax in December.

16 **Q. Why is there no tax calculation for the interest on the securitization debt?**

17 A. The tax calculation is limited to the principal payments because interest on the
18 securitization debt is a deductible expense. Therefore, the taxable revenue
19 associated with the recovery from customers of the interest component of the
20 RRBs is exactly offset by the deduction for the interest expense. Thus, there is

1 neither a net tax payment nor a net tax saving associated with the payment of
2 interest by customers.

3 **Q. Please explain columns F through I, the securitization section.**

4 A. The securitization principal balance in columns I, line 1, is divided by the
5 96 monthly periods over the securitization repayment schedule to arrive at the pay
6 down of the principal each month. The corresponding monthly principal payment
7 amounts are shown on column F. The pay down reduces the monthly principal
8 balances shown in column I. Interest in column G is computed based on an
9 estimated annual securitization rate of 4.5 percent divided by 12 months times the
10 month-end balance of the prior month. Column H sums the principal and interest
11 amounts shown in columns F and G.

12 **Q. Will the pay downs and interest exactly match what you have shown here?**

13 A. No. There are several simplifying assumptions and forecasts included in the
14 calculations that are described in more detail in Ms. O'Neil's testimony, Exhibit
15 NSTAR-EGO. For example, it is likely that the RRBs will be issued in four or
16 five separate classes of different maturities, with lower interest rates for RRBs
17 with shorter maturities and higher interest rates for RRBs with longer maturities.
18 As part of the annual reconciliation, the Company will true up to the actual
19 principal and interest payment for each period.

1 **Q. Please describe how securitization will result in lower transition charges for**
2 **the Companies' customers than would otherwise be required to recover the**
3 **approved transition costs if securitization did not occur.**

4 A. As stated above, the RRB Transaction will result in savings for the Companies'
5 customers by reducing the NPV of the future transition charge payments by
6 customers by \$130 million (adjusted from the \$114 million amount shown on
7 Exhibit NSTAR-GOL-1).

8 **Q. How will you confirm that savings will inure to customers as a result of the**
9 **issuance of RRBs?**

10 A. To confirm the savings to customers after pricing of RRBs and prior to the closing
11 of the RRB Transaction, each of the Companies will file an Issuance Advice
12 Letter. Those filings will include a savings calculation in accordance with the
13 methodology described above indicating that, based on the actual structure and
14 pricing terms, the RRB Transaction is expected to result in net savings and such
15 savings will inure to the benefit of the Companies' customers. So long as the
16 terms and structure result in net savings to the Companies' customers in
17 accordance with this approved methodology, the Companies request the
18 Department's authorization to undertake the RRB Transaction.

19 **Q. Ms. O'Neil testified that the Companies plan to file annual True-Up Advice**
20 **Letters. What affect will these annual filings have on the Companies' overall**
21 **transition charge and total tariff rates?**

22 A. Generally, the Companies' overall transition charge and other tariffs will not
23 change as a result of a True-Up Advice Letter filing. The amount applicable to

1 the RTC Charge will change, and the other components will be adjusted so that
2 the overall transition charge will remain the same. The transition charge and
3 other tariffs will change only when the Companies file revised tariffs with the
4 Department. However, in the unlikely event that as a result of a True-Up Advice
5 Letter filing, the RTC Charge would increase above the transition charge then in
6 effect, the transition charge would be increased to the amount of the RTC Charge,
7 as so adjusted, subject to the Companies' respective transition charge caps. Also,
8 if adjustments to the transition charge necessary to meet rate reduction required
9 under G.L. c. 164, § 1A in effect through February 28, 2005, or any continuation
10 of the, or a similarly required, rate reduction as a result of any subsequent or
11 successor legislation, would cause the transition charge of a Company to fall
12 below the required RTC Charge for its SPE's Debt Securities, as of the time of
13 the RTC Charge adjustment, components of such Company's rate and charges,
14 other than the RTC Charge, would be adjusted as necessary to satisfy such rate
15 reduction requirement. If, as a result of such adjustment, such Company is not
16 allowed to collect on a current basis any rate or charge which it would be allowed
17 to collect but for the adjustment of such rate or charge required to maintain the
18 RTC Charge, the portion of such other rate or charge that is not collected on a
19 current basis would be deferred at the carrying charge from time to time in effect
20 applicable to that portion of the transition charge not constituting the RTC
21 Charge.

1 **Q. When do you wish to obtain a financing order from the Department?**

2 A. The MASSPOWER and Dartmouth Termination Agreements are conditioned, in
3 part, on the issuance by the Department of a Financing Order reasonably
4 satisfactory to Boston Edison and Commonwealth pursuant to G.L. c. 164, § 1H,
5 and the actual issuance of the RRBs to finance the amount of the liquidation
6 payments and expenses. Section 1H(b)(5) provides for a 120-day period for the
7 Department to approve or disapprove the Companies' application. The
8 Companies will work to complete the RRB Transaction as soon as possible after
9 the Department issues its Financing Order.

10 To the extent that the securitization takes place prior to March 31st, customers
11 achieve net savings of \$2.9 million per month. (These savings come from
12 eliminating the need to pay the \$8.1 million monthly above-market portion of the
13 PPAs. This number is derived from Exhibit NSTAR-COM-GOL-3, page 15,
14 column B (Dartmouth), columns F and G (MASSPOWER), and from D.T.E. 04-
15 61, Exhibit NSTAR-BEC-GOL-3, page 8, column F (MASSPOWER). Offsetting
16 costs come from paying the buyout amount earlier at a securitization interest cost
17 of 4.5 percent, which increases interest costs by \$2.5 million per month. This
18 gives a net savings of \$5.6 million a month. This savings is reduced by the
19 increase in MASSPOWER buyout amount for every month paid before April 1st.
20 There is no such increase for Dartmouth.) To the extent that the securitization
21 takes place after March 31st, there are additional costs of \$5.6 million per month.

1 While the MASSPOWER buyout amount is fixed, the Dartmouth amount
2 decreases during April and May of 2005, which will offset some of the \$5.6
3 million per month reduction in customer savings. As a result, during those
4 months, the additional costs would reduce to \$4.4 million per month. These
5 additional savings from securitizing early increases customer savings. The
6 increase in costs from securitizing late decreases customer savings.

7 Accordingly, the Companies are requesting that the Department issue a Financing
8 Order in this proceeding as soon as possible, but no later than December 15, 2004.

9 **Q. Does this conclude your testimony?**

10 A. Yes.

SECURITIZATION AMOUNTS AND SECURITIZATION SAVINGS (000,000)

Col.A	Boston Edison MASSPOWER Col.B	Commonwealth MASSPOWER Dartmouth Deferral Total Col.C Col.D Col.E Col.F	NSTAR Total Col.G
Securitization Amount	REDACTED	REDACTED	\$693
Savings	REDACTED	REDACTED	\$114

Note: It is likely that the savings for MASSPOWER will increase and the securitization amount will decrease because it appears that the estimated Commonwealth make-whole amount included in Exhibit NSTAR-GOL-2 in D.T.E. 04-61 may not be necessary and will be replaced by a fee of about \$250,000. In addition, the issuance cost is likely to decrease from 2 percent to 1 percent. The reduction in the securitization would be \$21.8 million which would be allocated 78%/22% as shown in D.T.E. 04-61, Exh. NSTAR-GOL-2, page 6 line 20. With these lower estimates, the MASSPOWER securitization amounts would be reduced by \$17 million for Boston Edison and \$5 million for Commonwealth. The MASSPOWER securitizations would be **REDACTED** and **REDACTED**, respectively; the total securitization would be reduced to approximately \$670 million.

References	Col.B	Col.C	Col.D	Col.E	Col.F	Col.G
Securitization amount	D.T.E. 04-61, Exh. NSTAR-GOL-2, page 1, col.3	D.T.E. 04-61, Exh. NSTAR-GOL-2, page 1, col.3	D.T.E. 04-78, Exh. NSTAR-GOL-2, page 1, col.3, line 10	D.T.E. 04-70, Exh. NSTAR-COM-GOL-1 page 1, col3	Col C plus D plus E	Col B plus Col. F
Savings amount	D.T.E. 04-61, Exh. NSTAR-BEC-GOL-2, page 1	D.T.E. 04-61, Exh. NSTAR-COM-GOL-2, page 1	D.T.E. 04-78, Exh. NSTAR-COM-GOL-2, page 1	D.T.E. 04-70, Exh. NSTAR-COM-GOL-2, p.1, l 26	Col C plus D plus E	Col B plus Col. F

Deferral Securitization amount

<u>Line</u>	<u>Description</u>	<u>Com</u>	<u>Reference</u>
1	Transition Charge deferral balance 12/31/2004	\$ 138.670	Exh. NSTAR-COM-GOL-3 Page 1
2	January to March 2005 Interest	0.572	Line 1 * 1.65% / 4
3	PV of Fixed Cash Flow items	15.651	Cost of PPA sale & filing
4	Total	\$ 154.893	Sum of Line 1 thru Line 3
5	Less PV Tax Shield from the Buyout and Make Whole	(60.704)	Page 2 Line 1 Col. C
6	Less PV of the Tax Shield from the Issuance Cost	(0.455)	Page 2 Line 1 Col. D
7	Plus PV of Tax paid on Revenues of Principal	45.528	Page 2 Line 1 Col. E
8	Subtotal	\$ 139.261	Sum of Line 4 thru Line 7
9	Plus Issuance Cost (1% of Securitized balance)	1.407	Line 8 * 1% / 99%
10	Securitization Total	\$ 140.668	Line 8 + Line 9

		Deferral	Tax Shield	Tax Shield	Tax Shield					
			Deferral	Issuance	Principal		Principal	Interest	Payment	Balance
Line	4.5%			1.407						Securitization
	Col. A	Col. B	Col. C	Col. D	Col. E		Col. F	Col. G	Col. H	Col. I
1	NPV at 4.5%	\$ 154.893	\$ (60.704)	\$ (0.455)	\$ 45.528		\$ 117.948	\$ 22.720	\$ 140.668	\$ 140.668
2	Mar-05	\$ 139.242	(54.618)						-	\$ 140.668
3	Apr-05	0.207	(0.048)	(0.003)	0.343		1.465	0.528	1.993	139.203
4	May-05	0.207		-	-		1.465	0.522	1.987	137.737
5	Jun-05	0.207	(0.030)	(0.002)	0.214		1.465	0.517	1.982	136.272
6	Jul-05	0.207		-	-		1.465	0.511	1.976	134.807
7	Aug-05	0.207		-	-		1.465	0.506	1.971	133.341
8	Sep-05	0.207	(0.030)	(0.002)	0.214		1.465	0.500	1.965	131.876
9	Oct-05	0.207		-	-		1.465	0.495	1.960	130.411
10	Nov-05	0.207		-	-		1.465	0.489	1.954	128.946
11	Dec-05	0.207	(0.621)	(0.044)	\$ 4.401		\$ 1.465	\$ 0.484	\$ 1.949	\$ 127.480
12	Jan-06	0.193		-	-		1.465	0.478	1.943	126.015
13	Feb-06	0.193		-	-		1.465	0.473	1.938	124.550
14	Mar-06	0.193	(0.060)	(0.005)	0.457		1.465	0.467	1.932	123.084
15	Apr-06	0.193		-	-		1.465	0.462	1.927	121.619
16	May-06	0.193		-	-		1.465	0.456	1.921	120.154
17	Jun-06	0.193	(0.038)	(0.003)	0.286		1.465	0.451	1.916	118.689
18	Jul-06	0.193		-	-		1.465	0.445	1.910	117.223
19	Aug-06	0.193		-	-		1.465	0.440	1.905	115.758
20	Sep-06	0.193	(0.038)	(0.003)	0.286		1.465	0.434	1.899	114.293
21	Oct-06	0.193		-	-		1.465	0.429	1.894	112.827
22	Nov-06	0.193		-	-		1.465	0.423	1.888	111.362
23	Dec-06	0.193	(0.775)	(0.059)	\$ 5.868		\$ 1.465	\$ 0.418	\$ 1.883	\$ 109.897
24	Jan-07	0.190		-	-		1.465	0.412	1.877	108.432
25	Feb-07	0.190		-	-		1.465	0.407	1.872	106.966
26	Mar-07	0.190	(0.059)	(0.005)	0.457		1.465	0.401	1.866	105.501
27	Apr-07	0.190		-	-		1.465	0.396	1.861	104.036
28	May-07	0.190		-	-		1.465	0.390	1.855	102.570
29	Jun-07	0.190	(0.037)	(0.003)	0.286		1.465	0.385	1.850	101.105
30	Jul-07	0.190		-	-		1.465	0.379	1.844	99.640
31	Aug-07	0.190		-	-		1.465	0.374	1.839	98.174
32	Sep-07	0.190	(0.037)	(0.003)	0.286		1.465	0.368	1.833	96.709
33	Oct-07	0.190		-	-		1.465	0.363	1.828	95.244
34	Nov-07	0.190		-	-		1.465	0.357	1.822	93.779
35	Dec-07	0.190	(0.761)	(0.059)	\$ 5.868		\$ 1.465	\$ 0.352	\$ 1.817	\$ 92.313
36	Jan-08	0.179		-	-		1.465	0.346	1.811	90.848
37	Feb-08	0.179		-	-		1.465	0.341	1.806	89.383
38	Mar-08	0.179	(0.056)	(0.005)	0.457		1.465	0.335	1.800	87.917
39	Apr-08	0.179		-	-		1.465	0.330	1.795	86.452
40	May-08	0.179		-	-		1.465	0.324	1.789	84.987
41	Jun-08	0.179	(0.035)	(0.003)	0.286		1.465	0.319	1.784	83.522
42	Jul-08	0.179		-	-		1.465	0.313	1.778	82.056
43	Aug-08	0.179		-	-		1.465	0.308	1.773	80.591
44	Sep-08	0.179	(0.035)	(0.003)	0.286		1.465	0.302	1.768	79.126
45	Oct-08	0.179		-	-		1.465	0.297	1.762	77.660
46	Nov-08	0.179		-	-		1.465	0.291	1.757	76.195
47	Dec-08	0.179	(0.718)	(0.059)	\$ 5.868		\$ 1.465	\$ 0.286	\$ 1.751	\$ 74.730
48	Jan-09	0.188		-	-		1.465	0.280	1.746	73.265
49	Feb-09	0.188		-	-		1.465	0.275	1.740	71.799
50	Mar-09	0.188	(0.059)	(0.005)	0.457		1.465	0.269	1.735	70.334
51	Apr-09	0.188		-	-		1.465	0.264	1.729	68.869
52	May-09	0.188		-	-		1.465	0.258	1.724	67.403
53	Jun-09	0.188	(0.037)	(0.003)	0.286		1.465	0.253	1.718	65.938
54	Jul-09	0.188		-	-		1.465	0.247	1.713	64.473
55	Aug-09	0.188		-	-		1.465	0.242	1.707	63.008
56	Sep-09	0.188	(0.037)	(0.003)	0.286		1.465	0.236	1.702	61.542
57	Oct-09	0.188		-	-		1.465	0.231	1.696	60.077
58	Nov-09	0.188		-	-		1.465	0.225	1.691	58.612
59	Dec-09	0.188	(0.751)	(0.059)	\$ 5.868		\$ 1.465	\$ 0.220	\$ 1.685	\$ 57.146
60	Jan-10	0.127		-	-		1.465	0.214	1.680	55.681
61	Feb-10	0.127		-	-		1.465	0.209	1.674	54.216
62	Mar-10	0.127	(0.040)	(0.005)	0.457		1.465	0.203	1.669	52.750
63	Apr-10	0.127		-	-		1.465	0.198	1.663	51.285
64	May-10	0.127		-	-		1.465	0.192	1.658	49.820
65	Jun-10	0.127	(0.025)	(0.003)	0.286		1.465	0.187	1.652	48.355
66	Jul-10	0.127		-	-		1.465	0.181	1.647	46.889
67	Aug-10	0.127		-	-		1.465	0.176	1.641	45.424
68	Sep-10	0.127	(0.025)	(0.003)	0.286		1.465	0.170	1.636	43.959
69	Oct-10	0.127		-	-		1.465	0.165	1.630	42.493
70	Nov-10	0.127		-	-		1.465	0.159	1.625	41.028
71	Dec-10	0.127	(0.508)	(0.059)	\$ 5.868		\$ 1.465	\$ 0.154	\$ 1.619	\$ 39.563
72	Jan-11	0.100		-	-		1.465	0.148	1.614	38.098
73	Feb-11	0.100		-	-		1.465	0.143	1.608	36.633

Monthly Cash flows from the securitization

\$ in Millions

Line	4.5% Col. A	Deferral Col. B	Tax Shield Deferral Col. C	Tax Shield Issuance 1.407 Col. D	Tax Shield Principal Col. E	Principal Col. F	Interest Col. G	Payment Col. H	Balance Securitization Col. I
74	Mar-11	0.100	(0.031)	(0.005)	0.457	1.465	0.137	1.603	35.167
75	Apr-11	0.100		-	-	1.465	0.132	1.597	33.702
76	May-11	0.100		-	-	1.465	0.126	1.592	32.236
77	Jun-11	0.100	(0.020)	(0.003)	0.286	1.465	0.121	1.586	30.771
78	Jul-11	0.100		-	-	1.465	0.115	1.581	29.306
79	Aug-11	0.100		-	-	1.465	0.110	1.575	27.841
80	Sep-11	0.100	(0.020)	(0.003)	0.286	1.465	0.104	1.570	26.375
81	Oct-11	0.100		-	-	1.465	0.099	1.564	24.910
82	Nov-11	0.100		-	-	1.465	0.093	1.559	23.445
83	Dec-11	0.100	(0.402)	(0.059)	\$ 5.868	\$ 1.465	\$ 0.088	\$ 1.553	\$ 21.979
84	Jan-12	0.087		-	-	1.465	0.082	1.548	20.514
85	Feb-12	0.087		-	-	1.465	0.077	1.542	19.049
86	Mar-12	0.087	(0.027)	(0.005)	0.457	1.465	0.071	1.537	17.583
87	Apr-12	0.087		-	-	1.465	0.066	1.531	16.118
88	May-12	0.087		-	-	1.465	0.060	1.526	14.653
89	Jun-12	0.087	(0.017)	(0.003)	0.286	1.465	0.055	1.520	13.188
90	Jul-12	0.087		-	-	1.465	0.049	1.515	11.722
91	Aug-12	0.087		-	-	1.465	0.044	1.509	10.257
92	Sep-12	0.087	(0.017)	(0.003)	0.286	1.465	0.038	1.504	8.792
93	Oct-12	0.087		-	-	1.465	0.033	1.498	7.326
94	Nov-12	0.087		-	-	1.465	0.027	1.493	5.861
95	Dec-12	0.087	(0.348)	(0.059)	\$ 5.868	\$ 1.465	\$ 0.022	\$ 1.487	\$ 4.396
96	Jan-13	0.038		-	-	1.465	0.016	1.482	2.931
97	Feb-13	0.038		-	-	1.465	0.011	1.476	1.465
98	Mar-13	0.038	(0.012)	(0.017)	\$ 1.724	1.465	0.005	1.471	-
99	Apr-13	0.038							
100	May-13	0.038							
101	Jun-13	0.038	(0.007)						
102	Jul-13	0.038							
103	Aug-13	0.038							
104	Sep-13	0.038	(0.007)						
105	Oct-13	0.038							
106	Nov-13	0.038							
107	Dec-13	0.038	(0.152)						
108	Jan-14	0.044							
109	Feb-14	0.044							
110	Mar-14	0.044	(0.014)						
111	Apr-14	0.044							
112	May-14	0.044							
113	Jun-14	0.044	(0.009)						
114	Jul-14	0.044							
115	Aug-14	0.044							
116	Sep-14	0.044	(0.009)						
117	Oct-14	0.044							
118	Nov-14	0.044							
119	Dec-14	0.044	(0.176)						
120	Jan-15	0.043							
121	Feb-15	0.043							
122	Mar-15	0.043	(0.013)						
123	Apr-15	0.043							
124	May-15	0.043							
125	Jun-15	0.043	(0.008)						
126	Jul-15	0.043							
127	Aug-15	0.043							
128	Sep-15	0.043	(0.008)						
129	Oct-15	0.043							
130	Nov-15	0.043							
131	Dec-15	0.043	(0.172)						
132	Jan-16	0.031							
133	Feb-16	0.031							
134	Mar-16	0.031	(0.010)						
135	Apr-16	0.031							
136	May-16	0.031							
137	Jun-16	0.031	(0.006)						
138	Jul-16	0.031							
139	Aug-16	0.031							
140	Sep-16	0.031	(0.006)						
141	Oct-16	0.031							
142	Nov-16	0.031							
143	Dec-16	0.031	(0.122)						
144	Jan-17	0.037							
145	Feb-17	0.037							
146	Mar-17	0.037	(0.012)						
147	Apr-17	0.037							

Monthly Cash flows from the securitization

\$ in Millions

Line	4.5%	Deferral	Tax Shield	Tax Shield	Tax Shield	Principal	Principal	Interest	Payment	Balance
		Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
					1.407					Securitization
148	May-17	0.037								
149	Jun-17	0.037		(0.007)						
150	Jul-17	0.037								
151	Aug-17	0.037								
152	Sep-17	0.037		(0.007)						
153	Oct-17	0.037								
154	Nov-17	0.037								
155	Dec-17	0.037		(0.149)						
156	Jan-18	0.036								
157	Feb-18	0.036								
158	Mar-18	0.036		(0.011)						
159	Apr-18	0.036								
160	May-18	0.036								
161	Jun-18	0.036		(0.007)						
162	Jul-18	0.036								
163	Aug-18	0.036								
164	Sep-18	0.036		(0.007)						
165	Oct-18	0.036								
166	Nov-18	0.036								
167	Dec-18	0.036		(0.145)						
168	Jan-19	0.027								
169	Feb-19	0.027								
170	Mar-19	0.027		(0.008)						
171	Apr-19	0.027								
172	May-19	0.027								
173	Jun-19	0.027		(0.005)						
174	Jul-19	0.027								
175	Aug-19	0.027								
176	Sep-19	0.027		(0.005)						
177	Oct-19	0.027								
178	Nov-19	0.027								
179	Dec-19	0.027		(0.108)						
180	Jan-20	0.035								
181	Feb-20	0.035								
182	Mar-20	0.035		(0.011)						
183	Apr-20	0.035								
184	May-20	0.035								
185	Jun-20	0.035		(0.007)						
186	Jul-20	0.035								
187	Aug-20	0.035								
188	Sep-20	0.035		(0.007)						
189	Oct-20	0.035								
190	Nov-20	0.035								
191	Dec-20	0.035		(0.140)						
192	Jan-21	0.034								
193	Feb-21	0.034								
194	Mar-21	0.034		(0.011)						
195	Apr-21	0.034								
196	May-21	0.034								
197	Jun-21	0.034		(0.007)						
198	Jul-21	0.034								
199	Aug-21	0.034								
200	Sep-21	0.034		(0.007)						
201	Oct-21	0.034								
202	Nov-21	0.034								
203	Dec-21	0.034		(0.138)						
204	Jan-22	0.025								
205	Feb-22	0.025								
206	Mar-22	0.025		(0.008)						
207	Apr-22	0.025								
208	May-22	0.025								
209	Jun-22	0.025		(0.005)						
210	Jul-22	0.025								
211	Aug-22	0.025								
212	Sep-22	0.025		(0.005)						
213	Oct-22	0.025								
214	Nov-22	0.025								
215	Dec-22	0.025		(0.100)						
216	Jan-23	0.034								
217	Feb-23	0.034								
218	Mar-23	0.034		(0.011)						
219	Apr-23	0.034								
220	May-23	0.034								
221	Jun-23	0.034		(0.007)						

Monthly Cash flows from the securitization

\$ in Millions

Line	4.5%	Deferral	Tax Shield	Tax Shield	Tax Shield	Principal	Principal	Interest	Payment	Balance
		Col. A	Col. B	Col. C	Col. D	Col. E				Col. I
					1.407					Securitization
222	Jul-23	0.034								
223	Aug-23	0.034								
224	Sep-23	0.034		(0.007)						
225	Oct-23	0.034								
226	Nov-23	0.034								
227	Dec-23	0.034		(0.135)						
228	Jan-24	0.034								
229	Feb-24	0.034								
230	Mar-24	0.034		(0.011)						
231	Apr-24	0.034								
232	May-24	0.034								
233	Jun-24	0.034		(0.007)						
234	Jul-24	0.034								
235	Aug-24	0.034								
236	Sep-24	0.034		(0.007)						
237	Oct-24	0.034								
238	Nov-24	0.034								
239	Dec-24	0.034		(0.135)						
240	Jan-25	0.022								
241	Feb-25	0.022								
242	Mar-25	0.022		(0.007)						
243	Apr-25	0.022								
244	May-25	0.022								
245	Jun-25	0.022		(0.004)						
246	Jul-25	0.022								
247	Aug-25	0.022								
248	Sep-25	0.022		(0.004)						
249	Oct-25	0.022								
250	Nov-25	0.022								
251	Dec-25	0.022		(0.088)						
252	Jan-26	0.029								
253	Feb-26	0.029								
254	Mar-26	0.029		(0.009)						
255	Apr-26	0.029								
256	May-26	0.029								
257	Jun-26	0.029		(0.006)						
258	Jul-26	0.029								
259	Aug-26	0.029								
260	Sep-26	0.029		(0.006)						
261	Oct-26	0.029								
262	Nov-26	0.029								
263	Dec-26	0.029		(0.115)						
264	Undisc. Total	\$ 159.490	\$ (62.560)	\$ (0.552)	\$ 55.177		\$ 140.668	\$ 25.584	\$ 166.252	
265	Unrecovered Taxes									

Deferral Securitization amount

<u>Line</u>	<u>Description</u>	<u>Total</u>	<u>Source/Reference</u>
	Col. A	Col. B	
1	State Tax Rate	6.50%	
2	Percentage Payment by quarter - State Taxes		
3	15-Mar	40% Line 5 * Col. B	
4	15-Jun	25% Line 5 * Col. B	
5	15-Sep	25% Line 5 * Col. B	
6	15-Dec	10% Line 5 * Col. B	
7			
8	Federal Tax Rate	35.00%	
9	Effective Tax Rate	39.225% (1 - 6.5%) * 35% + 6.5%	
10	Effective Federal Tax Rate	32.725% line 24 minus State tax rate of 6.5%	

Deferral Securitization amount

<u>Line #</u>	<u>Year</u> Col. A	<u>Securitization Payments</u> Col. B
1	Apr '05 - Dec '05	\$ 17.737
2	2006	22.957
3	2007	22.166
4	2008	21.375
5	2009	20.584
6	2010	19.792
7	2011	19.001
8	2012	18.210
9	2013	4.429
10	Total	\$ 166.252

Note:

Col. B from Pages 2 thru 5, Column H.

Col. B to Exhibit NSTAR-COM-GOL-4, Page 5, Column E2.

Monthly "Other" to be securitized

	Net Fixed Component	Fixed Component	Cogen. Buyout	Contract Buyout	Seabrook Buydown	Seabrook Buyout	Annual Total Other	Monthly Total
Ref to NSTAR-COM- GOL-3	Col. H Page 3	Col. G Page 5	Col. H Page 5	Col. I Page 5	Col. J Page 5	Col. K Page 5		
Col.A	Col.B	Col.C	Col.D	Col.E	Col.F	Col.G	Col.H	Col.I
2005	0.458	0.226	0.419	0.712	0.483	0.182	2.480	0.207
2006	0.418	0.221	0.430	0.604	0.468	0.180	2.321	0.193
2007	0.382	0.216	0.439	0.687	0.456	0.101	2.281	0.190
2008	0.343	0.211	0.447	0.549	0.441	0.161	2.152	0.179
2009	0.305	0.206	0.464	0.677	0.427	0.172	2.251	0.188
2010	-	-	0.476	0.548	0.414	0.083	1.521	0.127
2011	-	-	-	0.647	0.400	0.158	1.205	0.100
2012	-	-	-	0.492	0.385	0.165	1.042	0.087
2013	-	-	-	-	0.374	0.081	0.455	0.038
2014	-	-	-	-	0.359	0.168	0.527	0.044
2015	-	-	-	-	0.345	0.169	0.514	0.043
2016		-	-	-	0.333	0.033	0.366	0.031
2017		-	-	-	0.319	0.127	0.446	0.037
2018		-	-	-	0.303	0.131	0.434	0.036
2019		-	-	-	0.293	0.031	0.324	0.027
2020		-	-	-	0.277	0.141	0.418	0.035
2021		-	-	-	0.262	0.151	0.413	0.034
2022		-	-	-	0.252	0.047	0.299	0.025
2023		-	-	-	0.236	0.169	0.405	0.034
2024		-	-	-	0.219	0.185	0.404	0.034
2025		-	-	-	0.204	0.061	0.265	0.022
2026		-	-	-	0.185	0.160	0.345	0.029

Note

Column H is the sum of columns B through G

Column I is column H divided by 12

Deferral Securitization savings

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<u>Year</u>	<u>Base Case Revenues</u>	<u>Deferral Securitization Revenues</u>	<u>Customer Savings</u>
Col.A	Col.B	Col.C	Col.D
2004	\$ 74.654	\$ 74.654	\$ -
2005	174.902	129.805	\$ 45.097
2006	178.400	143.406	\$ 34.993
2007	138.765	135.184	\$ 3.580
2008	98.448	117.671	\$ (19.223)
2009	76.608	94.941	\$ (18.333)
2010	76.096	94.367	\$ (18.271)
2011	75.796	93.592	\$ (17.796)
2012	76.565	93.733	\$ (17.168)
2013	74.217	78.191	\$ (3.974)
2014	76.517	75.990	\$ 0.527
2015	75.539	75.025	\$ 0.514
2016	58.196	57.830	\$ 0.366
2017	14.584	14.138	\$ 0.446
2018	5.357	4.923	\$ 0.434
2019	5.094	4.770	\$ 0.324
2020	5.030	4.612	\$ 0.418
2021	5.321	4.908	\$ 0.413
2022	2.803	2.504	\$ 0.299
2023	1.160	0.755	\$ 0.405
2024	0.404	-	\$ 0.404
2025	0.265	-	\$ 0.265
2026	0.345	-	\$ 0.345
Total	\$ 1,295.065	\$ 1,300.999	\$ (5.934)
8.200%	\$ 891.737	\$ 874.873	\$ 16.863

Discounted at Commonwealth After Tax Discount Rate
used in the Company's Restructuring Filing

Commonwealth Electric Company
Transition Charge Calculation
\$ in Millions

Year	GWH Delivered	Transition Charge Billed	Revenues for Delivered GWH	Total			Prior Year Deferral	Interest on Deferral	Expenses	(Over) Under Collection
Col. A	Col. B	Col. C	Col. D	Fixed Component	Variable Component	Other Adjustment	Col. H	Col. I	Col. J	Col. K
2002										\$ 81.510
2003	4,173.546	2.819	\$ 117.657	\$ 0.532	\$ 138.189	(5.762)	\$ 81.510	\$ 3.122	\$ 217.591	99.934
2004	4,202.750	1.776	74.654	0.494	108.669	1.589	99.934	2.638	213.324	138.670
2005	4,286.805	4.080	174.902	0.458	108.888	2.034	138.670	2.288	252.338	77.436
2006	4,372.541	4.080	178.400	0.418	120.437	1.915	77.436	1.278	201.484	23.085
2007	4,459.992	3.111	138.765	0.382	113.006	1.911	23.085	0.381	138.765	-
2008	4,549.192	2.164	98.448	0.343	96.284	1.821	-	-	98.448	-
2009	4,640.176	1.651	76.608	0.305	74.357	1.946	-	-	76.608	-
2010	4,732.980	1.608	76.096	-	74.575	1.521	-	-	76.096	-
2011	4,827.640	1.570	75.796	-	74.591	1.205	-	-	75.796	-
2012	4,924.193	1.555	76.565	-	75.523	1.042	-	-	76.565	-
2013	5,022.677	1.478	74.217	-	73.762	0.455	-	-	74.217	-
2014	5,123.131	1.494	76.517	-	75.990	0.527	-	-	76.517	-
2015	5,225.594	1.446	75.539	-	75.025	0.514	-	-	75.539	-
2016	5,330.106	1.092	58.196	-	57.830	0.366	-	-	58.196	-
2017	5,436.708	0.268	14.584	-	14.138	0.446	-	-	14.584	-
2018	5,545.442	0.097	5.357	-	4.923	0.434	-	-	5.357	-
2019	5,656.351	0.090	5.094	-	4.770	0.324	-	-	5.094	-
2020	5,769.478	0.087	5.030	-	4.612	0.418	-	-	5.030	-
2021	5,884.868	0.090	5.321	-	4.908	0.413	-	-	5.321	-
2022	6,002.565	0.047	2.803	-	2.504	0.299	-	-	2.803	-
2023	6,122.616	0.019	1.160	-	0.755	0.405	-	-	1.160	-
2024	6,245.068	0.006	0.404	-	-	0.404	-	-	0.404	-
2025	6,369.969	0.004	0.265	-	-	0.265	-	-	0.265	-
2026	6,497.368	0.005	0.345	-	-	0.345	-	-	0.345	-

Col. B: 2003 - 12 months actual; 2004 5 months actual, 7 months forecast; years 2005 and beyond assumes 2% growth per annum.

Col. C: 2003 & 2004 = Col. D / Col. B; 2005 & 2006 = Maximum Transition Charge rate; Post 2006 = Col. J / Col. B.

Col. D: 2003 per Page 2, Line 15; 2004 - 2006 = Col. B * Col. C; Post 2006 = Col. J.

Col. E: Page 3, Col. H.

Col. F: Page 4, Col. M.

Col. G: Page 5, Col. L.

Col. H: Col. K prior year.

Col. I: Col. H times interest rate on customer deposits; 2002 ending balance = 3.83%; 2003 ending balance = 2.64%; Post 2003 = 1.65%.

Col. J: Sum Cols. E thru I.

Col. K: 2002 per D.T.E. 02-80B (Settlement); 2003 and later = Col. J - Col. D.

status quo

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Commonwealth Electric Company
Actual 2003 Transition Revenues
\$ in Millions

Line	Description	GWH	A/C #	Per Book \$	Total
1	<u>2003 Transition Billed Revenues:</u>				
2	Residential Transition	2,064.405	440160	\$ 56.348	
3	Commercial Transition	1,734.871	442500	47.014	
4	Industrial Transition	366.634	442430	9.471	
5	Street Light Transition	16.039	444060	0.437	
6	Total Billed Revenues	4,181.949			\$ 113.270
7	<u>2003 Transition Unbilled Revenues:</u>			Value	
8	Less: Residential Transition Unbilled @ 12/31/02	(91.151)			
9	Plus: Residential Transition Unbilled @ 12/31/03	87.671	440162	\$ 2.145	
10	Less: Industrial Transition Unbilled @ 12/31/02	(18.078)			
11	Plus: Industrial Transition Unbilled @ 12/31/03	16.734	442435	0.360	
12	Less: Commercial Transition Unbilled @ 12/31/02	(81.065)			
13	Plus: Commercial Transition Unbilled @ 12/31/03	77.486	442505	1.882	
14	Total Unbilled Revenues	(8.403)			4.387
15	Total 2003 Transition Revenues	4,173.546	2.819		\$ 117.657

Commonwealth Electric Company Summary of Transition Charge - Fixed Component \$ in Millions

Year	Commonwealth Electric Company		Residual Value Credit				Net Fixed Component
	Pre-Tax Return on Generation Related Assets	Amortization of Generation Related Assets	Pre-Tax Return on Commonwealth Generation Recovery/(Proceeds)	Amortization of Commonwealth Generation Recovery/(Proceeds)	Pre-Tax Return on Canal Related Generation Recovery/(Proceeds)	Amortization of Canal Related Generation Recovery/(Proceeds)	
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H
2003	\$ 0.103	\$ 0.157	\$ 0.041	\$ 0.114	\$ 0.099	\$ 0.018	\$ 0.532
2004	0.087	0.157	0.034	0.114	0.084	0.018	0.494
2005	0.071	0.157	0.028	0.114	0.070	0.018	0.458
2006	0.055	0.157	0.022	0.114	0.052	0.018	0.418
2007	0.039	0.157	0.015	0.114	0.039	0.018	0.382
2008	0.023	0.157	0.009	0.114	0.022	0.018	0.343
2009	0.008	0.152	0.003	0.110	0.008	0.024	0.305

Note: Amounts per Exhibit COM-JFL-2(DTE 03-118(Supp)).
Col. H = Sum of Columns B through G.

status quo

Commonwealth Electric Company
Summary of Transition Charge - Variable Component
\$ in Millions

Year	Actual Nuclear Decomm	Actual Power Total Obligations	Actual Power Contracts Market Value	Net Power Obligation	Actual Transmission In Support Of Remote Generating Units	Actual Power Contract Buyouts	Actual Payments in Lieu of Property Taxes	Revenue Credits & Damages, or net Recoveries	Wholesale Credits/Debits	Rate Design Adjustment	Reversal of Prior Year Rate Design Adjustment	Actual Total Variable Component
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	\$ 0.811	\$ 207.695	\$ 87.684	\$ 120.011	\$ 1.609	\$ 12.461	\$ 2.089	\$ (0.164)	\$ -	\$ 1.372	\$ -	\$ 138.189
2004	1.387	228.753	128.263	100.490	1.700	5.309	1.430	-	-	(0.275)	(1.372)	108.669
2005	1.391	193.719	89.767	103.952	1.895	-	1.375	-	-	-	0.275	108.888
2006	0.350	190.985	73.901	117.084	1.738	-	1.265	-	-	-	-	120.437
2007	0.350	178.157	67.812	110.345	1.651	-	0.660	-	-	-	-	113.006
2008	0.350	161.485	67.296	94.189	1.635	-	0.110	-	-	-	-	96.284
2009	0.350	135.859	63.882	71.977	1.920	-	0.110	-	-	-	-	74.357
2010	0.350	139.106	66.898	72.208	1.907	-	0.110	-	-	-	-	74.575
2011	-	141.971	69.382	72.589	1.892	-	0.110	-	-	-	-	74.591
2012	-	141.492	67.904	73.588	1.880	-	0.055	-	-	-	-	75.523
2013	-	142.495	70.602	71.893	1.869	-	-	-	-	-	-	73.762
2014	-	142.302	68.174	74.128	1.862	-	-	-	-	-	-	75.990
2015	-	143.182	70.024	73.158	1.867	-	-	-	-	-	-	75.025
2016	-	94.418	38.043	56.375	1.455	-	-	-	-	-	-	57.830
2017	-	23.907	11.333	12.574	1.564	-	-	-	-	-	-	14.138
2018	-	7.963	4.643	3.320	1.603	-	-	-	-	-	-	4.923
2019	-	7.963	4.837	3.126	1.644	-	-	-	-	-	-	4.770
2020	-	7.963	5.038	2.925	1.687	-	-	-	-	-	-	4.612
2021	-	7.963	5.245	2.718	2.190	-	-	-	-	-	-	4.908
2022	-	7.963	5.459	2.504	-	-	-	-	-	-	-	2.504
2023	-	2.654	1.899	0.755	-	-	-	-	-	-	-	0.755

Legend:

Col. B: Page 6, Col. E.
Col. C: 2003 - Exhibit COM-JFL-4, Page 3, Line 16(DTE 03-118(Supp)); 2004 - 2023 - Page 13.
Col. D: 2003 - Exhibit COM-JFL-4, Page 2, Line 20(DTE 03-118(Supp)); 2004 - 2023 - Page 14.
Col. E: Col. C - Col. D.
Col. F: Page 7, Col. G.
Col. G: CPC Lowell buyout payment, 54 months starting December 1999. 2003 includes Seabrook Buyout Adjustment = (\$0.280).
Col. H: Commonwealth's 11% share of the Boston Edison Pilgrim property tax liability.
Col. I: Commonwealth's 11% share of the Boston Edison Pilgrim NEIL credit, Maxey Flats payment and DOE/SNF Legal Fees.
Col. K: Exhibit COM-HCL-6.
Col. L: Reversal of Prior Year Rate Design Adjustment (-Col. K(prior year)).
Col. M: Col. B + Col. E + Col. F + Col. G + Col. H + Col. I + Col. J + Col. K + Col. L.

status quo

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Commonwealth Electric Company
Summary of Transition Charge - Other Adjustments
\$ in Millions

Year	Mitigation Incentive											Total Other Adjustments
	EIS Return on Investment	Mitigation Incentive	Gain on Sale of Utility Land	Other	Hydro Quebec	Fixed Component	Lowell Cogen. Buyout	Pilgrim Contract Buyout	Seabrook Buydown	Seabrook Buyout		
	Adjustment	Adjustment		Adjustment	Transmission	(Page 8)	(Page 9)	(Page 10)	(Page 11)	(Page 12)		
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	
2003	\$ (7.296)	\$ 0.007	\$ (0.001)	\$ -	\$ 0.020	\$ 0.237	\$ (0.105)	\$ 0.670	\$ 0.510	\$ 0.196	\$ (5.762)	
2004	-	(0.127)	-	-	0.013	0.231	0.327	0.524	0.496	0.125	1.589	
2005	-	-	-	-	0.012	0.226	0.419	0.712	0.483	0.182	2.034	
2006	-	-	-	-	0.012	0.221	0.430	0.604	0.468	0.180	1.915	
2007	-	-	-	-	0.012	0.216	0.439	0.687	0.456	0.101	1.911	
2008	-	-	-	-	0.012	0.211	0.447	0.549	0.441	0.161	1.821	
2009	-	-	-	-	-	0.206	0.464	0.677	0.427	0.172	1.946	
2010	-	-	-	-	-	-	0.476	0.548	0.414	0.083	1.521	
2011	-	-	-	-	-	-	-	0.647	0.400	0.158	1.205	
2012	-	-	-	-	-	-	-	0.492	0.385	0.165	1.042	
2013	-	-	-	-	-	-	-	-	0.374	0.081	0.455	
2014	-	-	-	-	-	-	-	-	0.359	0.168	0.527	
2015	-	-	-	-	-	-	-	-	0.345	0.169	0.514	
2016	-	-	-	-	-	-	-	-	0.333	0.033	0.366	
2017	-	-	-	-	-	-	-	-	0.319	0.127	0.446	
2018	-	-	-	-	-	-	-	-	0.303	0.131	0.434	
2019	-	-	-	-	-	-	-	-	0.293	0.031	0.324	
2020	-	-	-	-	-	-	-	-	0.277	0.141	0.418	
2021	-	-	-	-	-	-	-	-	0.262	0.151	0.413	
2022	-	-	-	-	-	-	-	-	0.252	0.047	0.299	
2023	-	-	-	-	-	-	-	-	0.236	0.169	0.405	
2024	-	-	-	-	-	-	-	-	0.219	0.185	0.404	
2025	-	-	-	-	-	-	-	-	0.204	0.061	0.265	
2026	-	-	-	-	-	-	-	-	0.185	0.160	0.345	

Col. B: Amount received from E.I.S. - November 2003.

Col. C: 2003 adjustment to actual of Column I and 4 percent of Seabrook Buyout Adjustment. 2004 forecasted adjustment to Column H.

Col. D: Adjustment to Net Proceeds for Sale of Land at 15 Church Street, Tisbury, MA.

Col. F: Equals 4 percent of Page 7, Col. E.

status quo

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**Commonwealth Electric Company Share of
Summary of Transition Charge - Decommissioning
\$ in Millions**

<u>Year</u>	Seabrook	Seabrook	Yankee	
Col. A	<u>Unit 1</u>	<u>Unit 2</u>	<u>Atomic</u>	<u>Total</u>
	Col. B	Col. C	Col. D	Col. E
2003 *	\$ -	\$ -	\$ 0.811	\$0.811
2004 **	-	-	1.387	1.387
2005	-	-	1.391	1.391
2006	-	-	0.350	0.350
2007	-	-	0.350	0.350
2008	-	-	0.350	0.350
2009	-	-	0.350	0.350
2010	-	-	0.350	0.350
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-

* 12 months actual.

** 5 months actual, 7 months forecast.

Note: Col. B & Col. C subject to final
reconciliation of sale transaction.

status quo

Commonwealth Electric Company
Transmission in Support of Remote Generation
\$ in Millions

<u>Year</u>	<u>Seabrook 1</u>	Hydro Quebec <u>Phase 1</u>	Hydro Quebec <u>Phase 2</u>	Hydro Quebec <u>Mitigation</u>	<u>Wyman 4</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
2003 *	\$0.002	\$0.299	\$1.797	(\$0.489)	\$ -	\$1.609
2004 **	-	0.299	1.723	(0.322)	-	1.700
2005	-	0.291	1.904	(0.300)	-	1.895
2006	-	0.153	1.885	(0.300)	-	1.738
2007	-	0.086	1.865	(0.300)	-	1.651
2008	-	0.088	1.847	(0.300)	-	1.635
2009	-	0.091	1.829		-	1.920
2010	-	0.094	1.813		-	1.907
2011	-	0.096	1.796			1.892
2012	-	0.099	1.781			1.880
2013	-	0.102	1.767			1.869
2014	-	0.104	1.758			1.862
2015	-	0.107	1.760			1.867
2016	-	0.111	1.344			1.455
2017	-	0.114	1.450			1.564
2018	-	0.117	1.486			1.603
2019	-	0.121	1.523			1.644
2020	-	0.125	1.562			1.687
2021	-	0.129	2.061			2.190
2022	-					-
2023	-					-
2024	-					-
2025	-					-
2026	-					-

* 12 months actual.

** 5 months actual, 7 months forecast.

status quo

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Commonwealth Electric Company
Transition Charge Mitigation Incentive Summary - Fixed
\$ in Millions

Line		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	Residual Value Credit (Debit):							
2	Commonwealth Total Proceeds	(\$0.155)	(\$0.148)	(\$0.142)	(\$0.136)	(\$0.129)	(\$0.123)	(\$0.113)
3	Canal Excess Proceeds	32.707	31.921	31.134	30.348	29.561	28.775	27.986
4	Commonwealth Pilgrim Buyout	(11.448)	(11.173)	(10.898)	(10.621)	(10.346)	(10.071)	(9.802)
5	Commonwealth PREA Buyout	(0.248)	(0.242)	(0.236)	(0.230)	(0.225)	(0.219)	(0.208)
6	Commonwealth Seabrook Buydown	(14.681)	(14.328)	(13.975)	(13.622)	(13.269)	(12.915)	(12.563)
7	Total	<u>6.175</u>	<u>6.030</u>	<u>5.883</u>	<u>5.739</u>	<u>5.592</u>	<u>5.447</u>	<u>5.300</u>
8								
9	Less - Owned Generation per Compliance Filing:							
10	Commonwealth Embedded Cost	<u>0.260</u>	<u>0.244</u>	<u>0.228</u>	<u>0.212</u>	<u>0.196</u>	<u>0.180</u>	<u>0.160</u>
11								
12	Net Incremental Gain on Sale of Owned Gen (L7 - L10)	<u>5.915</u>	<u>5.786</u>	<u>5.655</u>	<u>5.527</u>	<u>5.396</u>	<u>5.267</u>	<u>5.140</u>
13								
14	Transition Charge Mitigation Incentive Mechanism @ 4%	<u>\$0.237</u>	<u>\$0.231</u>	<u>\$0.226</u>	<u>\$0.221</u>	<u>\$0.216</u>	<u>\$0.211</u>	<u>\$0.206</u>

status quo

Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Lowell Cogen Buyout
\$ in Millions

Year	Original Forecast			Revised Forecast	Total Mitigation	Transition Charge Mitigation Incentive @ 4%	Estimated GWH Sales	Impact on Transition Charge (cents/kwh)
	Power Contract Total Obligation	Assumed Market Value	Assumed Excess Over Market	Future Power Contract Buyouts				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
2003	\$13.384	\$3.264	\$10.120	\$12.741	(\$2.621)	(\$0.105)	4,173.546	(0.00252)
2004	13.685	3.379	10.306	2.124	8.182	0.327	4,202.750	0.00778
2005	14.015	3.528	10.487		10.487	0.419	4,286.805	0.00977
2006	14.368	3.626	10.742		10.742	0.430	4,372.541	0.00983
2007	14.747	3.767	10.980		10.980	0.439	4,459.992	0.00984
2008	15.145	3.963	11.182		11.182	0.447	4,549.192	0.00983
2009	15.576	3.967	11.609		11.609	0.464	4,640.176	0.01000
2010	16.031	4.138	11.893		11.893	0.476	4,732.980	0.01006

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (8).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (8) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

Col. E: See DTE 99-65 for revised amounts

Col. F: Col. D - Col. E.

Col. G: Col. F Multiplied by 4%.

Col. H: 2003- 2010, see Page 1, Col. B.

Col. I: Col. G/Col. H Multiplied by 100.

status quo

Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Pilgrim Contract Buyout
\$ in Millions

<u>Year</u>	<u>Original Forecast</u>					<u>Revised Forecast</u>				<u>Transition Charge Mitigation Incentive @ 4%</u>	<u>Estimated GWH Sales</u>	<u>Impact on Transition Charge (cents/kwh)</u>
	<u>Nuclear Decommissioning Costs</u>	<u>Power Contract Total Obligation</u>	<u>Assumed Market Value</u>	<u>Assumed Excess Over Market</u>	<u>Total Filed Case</u>	<u>Power Contract Total Obligation</u>	<u>Assumed Market Value</u>	<u>Assumed Excess Over Market</u>	<u>Total Mitigation</u>			
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	\$3.836	\$33.707	\$18.883	\$14.824	\$18.660	\$11.238	\$9.325	\$1.913	\$16.747	\$0.670	4,173.546	0.01605
2004	3.951	33.861	21.842	12.019	15.970	13.718	10.859	2.859	13.111	0.524	4,202.750	0.01247
2005	4.069	34.135	20.405	13.730	17.799			-	17.799	0.712	4,286.805	0.01661
2006	4.191	34.339	23.437	10.902	15.093			-	15.093	0.604	4,372.541	0.01381
2007	4.317	34.655	21.791	12.864	17.181			-	17.181	0.687	4,459.992	0.01540
2008	4.447	34.907	25.617	9.290	13.737			-	13.737	0.549	4,549.192	0.01207
2009	4.580	35.300	22.947	12.353	16.933			-	16.933	0.677	4,640.176	0.01459
2010	4.717	35.733	26.744	8.989	13.706			-	13.706	0.548	4,732.980	0.01158
2011	4.859	36.082	24.756	11.326	16.185			-	16.185	0.647	4,827.640	0.01340
2012	5.005	35.327	28.024	7.303	12.308			-	12.308	0.492	4,924.193	0.00999

Column Notes:

Col. B: Restated per new Pilgrim decommissioning forecast in DTE 98-126.

Col. C: See DTE 98-78, Schedule 1, Page 11, Column (1).

Col. D: See DTE 98-78, Schedule 1, Page 12, Column (1) times NERA Base Load Market Forecast.

Col. E: Col. C - Col. D.

Col. F: Col. B + Col. E.

See DTE 98-126 for revised amounts for Cols. G through I.

Col. J: Col. F - Col. I.

Col. K: Col. J Multiplied by 4%.

Col. L: 2003 - 2012, see Page 1, Col. B.

Col. M: Col. K/Col. L Multiplied by 100.

status quo

**Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Seabrook Buydown
\$ in Millions**

<u>Year</u>	<u>Original Forecast</u>			<u>Revised Forecast</u>			<u>Total Mitigation</u>	<u>Transition Charge Mitigation Incentive @ 4%</u>	<u>Estimated GWH Sales</u>	<u>Impact on Transition Charge (cents/kwh)</u>
	<u>Power Contract Total Obligation</u>	<u>Assumed Market Value</u>	<u>Assumed Excess Over Market</u>	<u>Power Contract Total Obligation</u>	<u>Assumed Market Value</u>	<u>Assumed Excess Over Market</u>				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2003	\$25.689	\$8.813	\$16.876	\$12.950	\$8.813	\$4.137	\$12.739	\$0.510	4,173.546	0.01222
2004	24.848	10.091	14.757	12.438	10.091	2.347	12.410	0.496	4,202.750	0.01180
2005	25.333	9.523	15.810	13.267	9.523	3.744	12.066	0.483	4,286.805	0.01127
2006	25.170	9.789	15.381	13.472	9.789	3.683	11.698	0.468	4,372.541	0.01070
2007	24.321	11.249	13.072	12.927	11.249	1.678	11.394	0.456	4,459.992	0.01022
2008	24.889	10.700	14.189	13.862	10.700	3.162	11.027	0.441	4,549.192	0.00969
2009	24.779	10.709	14.070	14.103	10.709	3.394	10.676	0.427	4,640.176	0.00920
2010	23.871	12.355	11.516	13.514	12.355	1.159	10.357	0.414	4,732.980	0.00875
2011	24.569	11.554	13.015	14.559	11.554	3.005	10.010	0.400	4,827.640	0.00829
2012	24.473	11.705	12.768	14.840	11.705	3.135	9.633	0.385	4,924.193	0.00782
2013	23.551	13.184	10.367	14.204	13.184	1.020	9.347	0.374	5,022.677	0.00745
2014	24.355	12.242	12.113	15.381	12.242	3.139	8.974	0.359	5,123.131	0.00701
2015	24.331	12.564	11.767	15.715	12.564	3.151	8.616	0.345	5,225.594	0.00660
2016	23.343	14.310	9.033	15.027	14.310	0.717	8.316	0.333	5,330.106	0.00625
2017	24.310	13.316	10.994	16.347	13.316	3.031	7.963	0.319	5,436.708	0.00587
2018	24.315	13.589	10.726	16.739	13.589	3.150	7.576	0.303	5,545.442	0.00546
2019	23.302	15.336	7.966	15.987	15.336	0.651	7.315	0.293	5,656.351	0.00518
2020	24.414	14.094	10.320	17.489	14.094	3.395	6.925	0.277	5,769.478	0.00480
2021	24.524	14.329	10.195	17.974	14.329	3.645	6.550	0.262	5,884.868	0.00445
2022	23.461	16.126	7.335	17.165	16.126	1.039	6.296	0.252	6,002.565	0.00420
2023	24.818	14.834	9.984	18.916	14.834	4.082	5.902	0.236	6,122.616	0.00385
2024	25.055	15.100	9.955	19.585	15.100	4.485	5.470	0.219	6,245.068	0.00351
2025	23.479	16.998	6.481	18.376	16.998	1.378	5.103	0.204	6,369.969	0.00320
2026	24.106	15.639	8.467	19.474	15.639	3.835	4.632	0.185	6,497.368	0.00285

Column Notes:

- Col. B: See DTE 98-78, Schedule 1, Page 11, Column (2).
- Col. C: See DTE 98-78, Schedule 1, Page 12, Column (2) times NERA Base Load Market Forecast.
- Col. D: Col. B - Col. C.
- See DTE 99-89 for revised amounts for Cols. E through G.
- Col. H: Col. D - Col. G.
- Col. I: Col. H Multiplied by 4%.
- Col. J: 2003 - 2026, see Page 1, Col. B.
- Col. K: Col. I/Col. J Multiplied by 100.

status quo

Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Seabrook Buyout
\$ in Millions

Year	Original Forecast						Revised Forecast	Transition		Impact on Transition Charge	
	Nuclear Decommissioning Costs	Power Contract Total	Assumed Market	Assumed Excess Over	Transmission in Support of Remote	Total Filed	Future Power Contract	Total	Charge Mitigation Incentive		Estimated GWH
		Obligation	Value	Market	Generation	Case	Buyouts	Mitigation	@ 4%		Sales
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L
2003	\$0.565	\$12.950	\$8.813	\$4.137	\$0.186	\$4.888	\$ -	\$4.888	\$0.196	4,173.546	0.00470
2004	0.588	12.438	10.091	2.347	0.184	3.119		3.119	0.125	4,202.750	0.00297
2005	0.614	13.267	9.523	3.744	0.182	4.540		4.540	0.182	4,286.805	0.00425
2006	0.639	13.472	9.789	3.683	0.180	4.502		4.502	0.180	4,372.541	0.00412
2007	0.666	12.927	11.249	1.678	0.178	2.522		2.522	0.101	4,459.992	0.00226
2008	0.695	13.862	10.700	3.162	0.175	4.032		4.032	0.161	4,549.192	0.00354
2009	0.723	14.103	10.709	3.394	0.173	4.290		4.290	0.172	4,640.176	0.00371
2010	0.754	13.514	12.355	1.159	0.171	2.084		2.084	0.083	4,732.980	0.00175
2011	0.785	14.559	11.554	3.005	0.169	3.959		3.959	0.158	4,827.640	0.00327
2012	0.819	14.840	11.705	3.135	0.167	4.121		4.121	0.165	4,924.193	0.00335
2013	0.852	14.204	13.184	1.020	0.165	2.037		2.037	0.081	5,022.677	0.00161
2014	0.888	15.381	12.242	3.139	0.163	4.190		4.190	0.168	5,123.131	0.00328
2015	0.924	15.715	12.564	3.151	0.161	4.236		4.236	0.169	5,225.594	0.00323
2016	(0.014)	15.027	14.310	0.717	0.111	0.814		0.814	0.033	5,330.106	0.00062
2017	(0.013)	16.347	13.316	3.031	0.145	3.163		3.163	0.127	5,436.708	0.00234
2018	(0.013)	16.739	13.589	3.150	0.145	3.282		3.282	0.131	5,545.442	0.00236
2019	(0.011)	15.987	15.336	0.651	0.146	0.786		0.786	0.031	5,656.351	0.00055
2020	(0.011)	17.489	14.094	3.395	0.147	3.531		3.531	0.141	5,769.478	0.00244
2021	(0.010)	17.974	14.329	3.645	0.148	3.783		3.783	0.151	5,884.868	0.00257
2022	(0.009)	17.165	16.126	1.039	0.149	1.179		1.179	0.047	6,002.565	0.00078
2023	(0.007)	18.916	14.834	4.082	0.151	4.226		4.226	0.169	6,122.616	0.00276
2024	(0.007)	19.585	15.100	4.485	0.155	4.633		4.633	0.185	6,245.068	0.00296
2025	(0.006)	18.376	16.998	1.378	0.157	1.529		1.529	0.061	6,369.969	0.00096
2026	(0.004)	19.474	15.639	3.835	0.159	3.990		3.990	0.160	6,497.368	0.00246

Column Notes:

Col. B: See DTE 01-79, Exhibit COM-BKR-1, Page 6, Columns B & C.
Col. C: See Page 11, Column E.
Col. D: See Page 11, Column F.
Col. E: Col. C - Col. D.
Col. F: See DTE 99-90, Schedule 1, Page 7, Column (2).
Col. G: Col. B + Col. E + Col. F.
Col. H: Estimated Buyout Amount per DTE 02-34.
Col. I: Col. G - Col. H.
Col. J: Col. I Multiplied by 4%.
Col. K: See Page 1, Col. B.
Col. L: Col. J/Col. K Multiplied by 100.

status quo

Commonwealth Electric Company
Power Contract Obligations
Annual Obligations in Millions of Dollars

<u>Year</u>	<u>Dartmouth Power</u>	<u>Altresco- Pittsfield</u>	<u>NEA- Bellingham (25MW)</u>	<u>NEA- Bellingham (21MW)</u>	<u>Mass- Power 1</u>	<u>Mass- Power 2</u>	<u>Chicopee Hydro</u>	<u>Collins Hydro</u>	<u>Boott Hydro</u>	<u>Pioneer Hydro</u>	<u>Pilgrim</u>	<u>SEMASS</u>	<u>SEMASS Expansion</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
Jan - Mar														
Apr - May														
Jun - Sep														
Oct - Dec														
2004														
Jan - Feb														
Mar														
Apr - Dec														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														
2017														
2018														
2019														
2020														
2021														
2022														
2023														

REDACTED

Note: Updated from COM-JFL-3 (supp) in D.T.E. 03-118 with latest forecast from CEA.

status quo

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-3
Page 14 of 15

Commonwealth Electric Company
Power Contract Obligations
Annual Market in Millions of Dollars

<u>Year</u>	<u>Dartmouth Power</u>	<u>Altresco- Pittsfield</u>	<u>NEA- Bellingham (25MW)</u>	<u>NEA- Bellingham (21MW)</u>	<u>Mass- Power 1</u>	<u>Mass- Power 2</u>	<u>Chicopee Hydro</u>	<u>Collins Hydro</u>	<u>Boott Hydro</u>	<u>Pioneer Hydro</u>	<u>Pilgrim</u>	<u>SEMASS</u>	<u>SEMASS Expansion</u>	<u>S. O. Adjustment</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
2023															

REDACTED

Note: Cols B thru N are updated from CAM-JFL-3 (supp) in D.T.E. 03-118 with latest forecast from CEA.
Col.O = Col.P minus Cols. B thru N for Jan 2004 through Feb 2005
Col.P for Jan 2004 through Feb 2005 (Standard Offer period) is equal to the transfer price from DTE 04-60 NSTAR-COM-GOL-5 & 7 (page 1, line 7)
Col.P for March 2005 onwards = sum Col. B thru Col. N

status quo

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-3
Page 15 of 15

Commonwealth Electric Company
Power Contract Obligations
Annual Above Market in Millions of Dollars

<u>Year</u>	<u>Dartmouth Power</u>	<u>Altresco- Pittsfield</u>	<u>NEA- Bellingham (25MW)</u>	<u>NEA- Bellingham (21MW)</u>	<u>Mass- Power 1</u>	<u>Mass- Power 2</u>	<u>Chicopee Hydro</u>	<u>Collins Hydro</u>	<u>Boott Hydro</u>	<u>Pioneer Hydro</u>	<u>Pilgrim</u>	<u>SEMASS</u>	<u>SEMASS Expansion</u>	<u>S. O. Adjustment</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
2023															

REDACTED

Note: Annual above Market = Annual Obligation (p.13) minus Annual Market (p.14)

**Commonwealth Electric Company
Transition Charge Calculation
\$ in Millions**

Year	GWH Delivered	Transition Charge Billed	Revenues for Delivered GWH	Fixed Component	Variable Component	Other Adjustment	Prior Year Deferral	Interest on Deferral	Expenses	(Over) Under Collection
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2002										\$ 81.510
2003	4,173.546	2.819	\$ 117.657	\$ 0.532	\$ 138.189	\$ (5.762)	\$ 81.510	\$ 3.122	\$ 217.591	99.934
2004	4,202.750	1.776	74.654	0.494	108.669	1.589	99.934	2.638	213.324	138.670
2005	4,286.805	3.028	129.805	0.114	108.888	(120.155)	138.670	2.288	129.805	-
2006	4,372.541	3.280	143.406	-	120.437	22.969	-	-	143.406	-
2007	4,459.992	3.031	135.184	-	113.006	22.178	-	-	135.184	-
2008	4,549.192	2.587	117.671	-	96.284	21.387	-	-	117.671	-
2009	4,640.176	2.046	94.941	-	74.357	20.584	-	-	94.941	-
2010	4,732.980	1.994	94.367	-	74.575	19.792	-	-	94.367	-
2011	4,827.640	1.939	93.592	-	74.591	19.001	-	-	93.592	-
2012	4,924.193	1.904	93.733	-	75.523	18.210	-	-	93.733	-
2013	5,022.677	1.557	78.191	-	73.762	4.429	-	-	78.191	-
2014	5,123.131	1.483	75.990	-	75.990	-	-	-	75.990	-
2015	5,225.594	1.436	75.025	-	75.025	-	-	-	75.025	-
2016	5,330.106	1.085	57.830	-	57.830	-	-	-	57.830	-
2017	5,436.708	0.260	14.138	-	14.138	-	-	-	14.138	-
2018	5,545.442	0.089	4.923	-	4.923	-	-	-	4.923	-
2019	5,656.351	0.084	4.770	-	4.770	-	-	-	4.770	-
2020	5,769.478	0.080	4.612	-	4.612	-	-	-	4.612	-
2021	5,884.868	0.083	4.908	-	4.908	-	-	-	4.908	-
2022	6,002.565	0.042	2.504	-	2.504	-	-	-	2.504	-
2023	6,122.616	0.012	0.755	-	0.755	-	-	-	0.755	-
2024	6,245.068	-	-	-	-	-	-	-	-	-
2025	6,369.969	-	-	-	-	-	-	-	-	-
2026	6,497.368	-	-	-	-	-	-	-	-	-

Col. B: 2003 - 12 months actual; 2004 5 months actual, 7 months forecast; years 2005 and beyond assumes 2% growth per annum.

Col. C: 2003 & 2004 = Col. D / Col. B; Post 2004 = Col. J / Col. B.

Col. D: 2003 per Page 2, Line 15; 2004 = Col. B * Col. C; Post 2004 = Col. J.

Col. E: Page 3, Col. H.

Col. F: Page 4, Col. M.

Col. G: Page 5, Col. L.

Col. H: Col. K prior year.

Col. I: Col. H times interest rate on customer deposits; 2002 ending balance = 3.83%; 2003 ending balance = 2.64%; Post 2003 = 1.65%.

Col. J: Sum Cols. E thru I.

Col. K: 2002 per D.T.E. 02-80B (Settlement); 2003 and later = Col. J - Col. D.

Commonwealth Electric Company
Actual 2003 Transition Revenues
\$ in Millions

Line	Description	GWH	A/C #	Per Book \$	Total
1	<u>2003 Transition Billed Revenues:</u>				
2	Residential Transition	2,064.405	440160	\$ 56.348	
3	Commercial Transition	1,734.871	442500	47.014	
4	Industrial Transition	366.634	442430	9.471	
5	Street Light Transition	16.039	444060	0.437	
6	Total Billed Revenues	4,181.949			\$ 113.270
7	<u>2003 Transition Unbilled Revenues:</u>			Value	
8	Less: Residential Transition Unbilled @ 12/31/02	(91.151)			
9	Plus: Residential Transition Unbilled @ 12/31/03	87.671	440162	\$ 2.145	
10	Less: Industrial Transition Unbilled @ 12/31/02	(18.078)			
11	Plus: Industrial Transition Unbilled @ 12/31/03	16.734	442435	0.360	
12	Less: Commercial Transition Unbilled @ 12/31/02	(81.065)			
13	Plus: Commercial Transition Unbilled @ 12/31/03	77.486	442505	1.882	
14	Total Unbilled Revenues	(8.403)			<u>4.387</u>
15	Total 2003 Transition Revenues	<u>4,173.546</u>	<u>2.819</u>		<u>\$ 117.657</u>

Commonwealth Electric Company **Summary of Transition Charge - Fixed Component** **\$ in Millions**

Year	Commonwealth Electric Company		Residual Value Credit				Net Fixed Component
	Pre-Tax Return on Generation Related Assets	Amortization of Generation Related Assets	Pre-Tax Return on Commonwealth Generation Recovery/(Proceeds)	Amortization of Commonwealth Generation Recovery/(Proceeds)	Pre-Tax Return on Canal Related Generation Recovery/(Proceeds)	Amortization of Canal Related Generation Recovery/(Proceeds)	
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H
2003	\$ 0.103	\$ 0.157	\$ 0.041	\$ 0.114	\$ 0.099	\$ 0.018	\$ 0.532
2004	0.087	0.157	0.034	0.114	0.084	0.018	0.494
2005	0.018	0.039	0.007	0.028	0.017	0.005	0.114
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-

Note: Amounts through 2004 per Exhibit COM-JFL-2(DTE 03-118(Supp)), 2005 = Exhibit COM-JFL-2 (D.T.E 03-118(supp))/4.
Col. H = Sum of Columns B through G.

Commonwealth Electric Company **Summary of Transition Charge - Variable Component** **\$ in Millions**

Year	Actual Nuclear Decomm	Actual Power Total Obligations	Actual Power Contracts Market Value	Net Power Obligation	Actual Transmission In Support Of Remote Generating Units	Actual Power Contract Buyouts	Actual Payments in Lieu of Property Taxes	Revenue Credits & Damages, or net Recoveries	Wholesale Credits/Debits	Rate Design Adjustment	Reversal of Prior Year Rate Design Adjustment	Actual Total Variable Component
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	\$ 0.811	\$ 207.695	\$ 87.684	\$ 120.011	\$ 1.609	\$ 12.461	\$ 2.089	\$ (0.164)	\$ -	\$ 1.372	\$ -	\$ 138.189
2004	1.387	228.753	128.263	100.490	1.700	5.309	1.430	-	-	(0.275)	(1.372)	108.669
2005	1.391	193.719	89.767	103.952	1.895	-	1.375	-	-	-	0.275	108.888
2006	0.350	190.985	73.901	117.084	1.738	-	1.265	-	-	-	-	120.437
2007	0.350	178.157	67.812	110.345	1.651	-	0.660	-	-	-	-	113.006
2008	0.350	161.485	67.296	94.189	1.635	-	0.110	-	-	-	-	96.284
2009	0.350	135.859	63.882	71.977	1.920	-	0.110	-	-	-	-	74.357
2010	0.350	139.106	66.898	72.208	1.907	-	0.110	-	-	-	-	74.575
2011	-	141.971	69.382	72.589	1.892	-	0.110	-	-	-	-	74.591
2012	-	141.492	67.904	73.588	1.880	-	0.055	-	-	-	-	75.523
2013	-	142.495	70.602	71.893	1.869	-	-	-	-	-	-	73.762
2014	-	142.302	68.174	74.128	1.862	-	-	-	-	-	-	75.990
2015	-	143.182	70.024	73.158	1.867	-	-	-	-	-	-	75.025
2016	-	94.418	38.043	56.375	1.455	-	-	-	-	-	-	57.830
2017	-	23.907	11.333	12.574	1.564	-	-	-	-	-	-	14.138
2018	-	7.963	4.643	3.320	1.603	-	-	-	-	-	-	4.923
2019	-	7.963	4.837	3.126	1.644	-	-	-	-	-	-	4.770
2020	-	7.963	5.038	2.925	1.687	-	-	-	-	-	-	4.612
2021	-	7.963	5.245	2.718	2.190	-	-	-	-	-	-	4.908
2022	-	7.963	5.459	2.504	-	-	-	-	-	-	-	2.504
2023	-	2.654	1.899	0.755	-	-	-	-	-	-	-	0.755

Legend:

Col. B: Page 6, Col. E.
Col. C: 2003 - Exhibit COM-JFL-4, Page 3, Line 16(DTE 03-118(Supp)); 2004 - 2023 - Page 13.
Col. D: 2003 - Exhibit COM-JFL-4, Page 2, Line 20(DTE 03-118(Supp)); 2004 - 2023 - Page 14.
Col. E: Col. C - Col. D.
Col. F: Page 7, Col. G.
Col. G: CPC Lowell buyout payment, 54 months starting December 1999. 2003 includes Seabrook Buyout Adjustment = (\$0.280).
Col. H: Commonwealth's 11% share of the Boston Edison Pilgrim property tax liability.
Col. I: Commonwealth's 11% share of the Boston Edison Pilgrim NEIL credit, Maxey Flats payment and DOE/SNF Legal Fees.
Col. K: Exhibit COM-HCL-6.
Col. L: Reversal of Prior Year Rate Design Adjustment (-Col. K(prior year)).
Col. M: Col. B + Col. E + Col. F + Col. G + Col. H + Col. I + Col. J + Col. K + Col. L.

Commonwealth Electric Company
Summary of Transition Charge - Other Adjustments
\$ in Millions

Year	EIS Return on Investment Adjustment	Mitigation Incentive Adjustment	Gain on Sale of Utility Land	Deferral Recovery	Securitization Debt Service Payments	Mitigation Incentive						Total Other Adjustments
						Hydro Quebec Transmission	Fixed Component (Page 8)	Lowell Cogen. Buyout (Page 9)	Pilgrim Contract Buyout (Page 10)	Seabrook Buydown (Page 11)	Seabrook Buyout (Page 12)	
Col. A	Col. B	Col. C	Col. D	Col. E1	Col. E2	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L
2003	\$ (7.296)	\$ 0.007	\$ (0.001)	\$ -	\$ -	\$ 0.020	\$ 0.237	\$ (0.105)	\$ 0.670	\$ 0.510	\$ 0.196	\$ (5.762)
2004	-	(0.127)	-	-	-	0.013	0.231	0.327	0.524	0.496	0.125	1.589
2005	-	0.832	-	(139.242)	17.737	0.012	0.056	0.105	0.178	0.121	0.045	(120.155)
2006	-	-	-	-	22.957	0.012	-	-	-	-	-	22.969
2007	-	-	-	-	22.166	0.012	-	-	-	-	-	22.178
2008	-	-	-	-	21.375	0.012	-	-	-	-	-	21.387
2009	-	-	-	-	20.584	-	-	-	-	-	-	20.584
2010	-	-	-	-	19.792	-	-	-	-	-	-	19.792
2011	-	-	-	-	19.001	-	-	-	-	-	-	19.001
2012	-	-	-	-	18.210	-	-	-	-	-	-	18.210
2013	-	-	-	-	4.429	-	-	-	-	-	-	4.429
2014	-	-	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-

Col. B: Amount received from E.I.S. - November 2003.

Col. C: 2003 adjustment to actual of Column I and 4 percent of Seabrook Buyout Adjustment. 2004 forecasted adjustment to Column H.

2005 NPV of 4% of Deferral Securitization saving (page 16, column I).

Col. D: Adjustment to Net Proceeds for Sale of Land at 15 Church Street, Tisbury, MA.

Col. E1: Equals -(Page 1, Col k, 2004 + COM-GOL-1, Page 1, line 2)

Col. E2: Exhibit NSTAR-COM-GOL-1, page 7, col B

Col. F: Equals 4 percent of Page 7, Col. E.

**Commonwealth Electric Company Share of
Summary of Transition Charge - Decommissioning
\$ in Millions**

<u>Year</u>	Seabrook	Seabrook	Yankee	
Col. A	<u>Unit 1</u>	<u>Unit 2</u>	<u>Atomic</u>	<u>Total</u>
	Col. B	Col. C	Col. D	Col. E
2003 *	\$ -	\$ -	\$ 0.811	\$0.811
2004 **	-	-	1.387	1.387
2005	-	-	1.391	1.391
2006	-	-	0.350	0.350
2007	-	-	0.350	0.350
2008	-	-	0.350	0.350
2009	-	-	0.350	0.350
2010	-	-	0.350	0.350
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-

* 12 months actual.

** 5 months actual, 7 months forecast.

Note: Col. B & Col. C subject to final
reconciliation of sale transaction.

Commonwealth Electric Company
Transmission in Support of Remote Generation
\$ in Millions

<u>Year</u>	<u>Seabrook 1</u>	Hydro Quebec <u>Phase 1</u>	Hydro Quebec <u>Phase 2</u>	Hydro Quebec <u>Mitigation</u>	<u>Wyman 4</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
2003 *	\$0.002	\$0.299	\$1.797	(\$0.489)	\$ -	\$1.609
2004 **	-	0.299	1.723	(0.322)	-	1.700
2005	-	0.291	1.904	(0.300)	-	1.895
2006	-	0.153	1.885	(0.300)	-	1.738
2007	-	0.086	1.865	(0.300)	-	1.651
2008	-	0.088	1.847	(0.300)	-	1.635
2009	-	0.091	1.829		-	1.920
2010	-	0.094	1.813		-	1.907
2011	-	0.096	1.796			1.892
2012	-	0.099	1.781			1.880
2013	-	0.102	1.767			1.869
2014	-	0.104	1.758			1.862
2015	-	0.107	1.760			1.867
2016	-	0.111	1.344			1.455
2017	-	0.114	1.450			1.564
2018	-	0.117	1.486			1.603
2019	-	0.121	1.523			1.644
2020	-	0.125	1.562			1.687
2021	-	0.129	2.061			2.190
2022	-					-
2023	-					-
2024	-					-
2025	-					-
2026	-					-

* 12 months actual.

** 5 months actual, 7 months forecast.

Deferral Securitization

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-4
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Commonwealth Electric Company
Transition Charge Mitigation Incentive Summary - Fixed
\$ in Millions

Line		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	Residual Value Credit (Debit):							
2	Commonwealth Total Proceeds	(\$0.155)	(\$0.148)	(\$0.036)	\$ -	\$ -	\$ -	\$ -
3	Canal Excess Proceeds	32.707	31.921	7.784	-	-	-	-
4	Commonwealth Pilgrim Buyout	(11.448)	(11.173)	(2.725)	-	-	-	-
5	Commonwealth PREA Buyout	(0.248)	(0.242)	(0.059)	-	-	-	-
6	Commonwealth Seabrook Buydown	(14.681)	(14.328)	(3.494)	-	-	-	-
7	Total	<u>6.175</u>	<u>6.030</u>	<u>1.470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8								
9	Less - Owned Generation per Compliance Filing:							
10	Commonwealth Embedded Cost	<u>0.260</u>	<u>0.244</u>	<u>0.057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11								
12	Net Incremental Gain on Sale of Owned Gen (L7 - L10)	<u>5.915</u>	<u>5.786</u>	<u>1.413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13								
14	Transition Charge Mitigation Incentive Mechanism @ 4%	<u>\$0.237</u>	<u>\$0.231</u>	<u>\$0.056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: 2005 includes Jan to March only; post March 2005 eliminated due to Securitization.

Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Lowell Cogen Buyout
\$ in Millions

<u>Year</u>	<u>Original Forecast</u>			<u>Revised Forecast</u>	<u>Total Mitigation</u>	<u>Transition Charge Mitigation Incentive @ 4%</u>	<u>Estimated GWH Sales</u>	<u>Impact on Transition Charge (cents/kwh)</u>
	<u>Power Contract Total Obligation</u>	<u>Assumed Market Value</u>	<u>Assumed Excess Over Market</u>	<u>Future Power Contract Buyouts</u>				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
2003	\$13.384	\$3.264	\$10.120	\$12.741	(\$2.621)	(\$0.105)	4,173.546	(0.00252)
2004	13.685	3.379	10.306	2.124	8.182	0.327	4,202.750	0.00778
2005	3.504	0.882	2.622		2.622	0.105	4,286.805	0.00245
2006	-	-	-		-	-	4,372.541	0.00000
2007	-	-	-		-	-	4,459.992	0.00000
2008	-	-	-		-	-	4,549.192	0.00000
2009	-	-	-		-	-	4,640.176	0.00000
2010	-	-	-		-	-	4,732.980	0.00000

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (8).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (8) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

Col. E: See DTE 99-65 for revised amounts

Col. F: Col. D - Col. E.

Col. G: Col. F Multiplied by 4%.

Col. H: 2003- 2010, see Page 1, Col. B.

Col. I: Col. G/Col. H Multiplied by 100.

2005 includes Jan to March only; post March 2005 eliminated due to Securitization.

Deferral Securitization

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-4
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Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Pilgrim Contract Buyout
\$ in Millions

Year	Original Forecast					Revised Forecast				Transition Charge Mitigation Incentive @ 4%	Estimated GWH Sales	Impact on Transition Charge (cents/kwh)
	Nuclear Decommissioning Costs	Power Contract Total Obligation	Assumed Market Value	Assumed Excess Over Market	Total Filed Case	Power Contract Total Obligation	Assumed Market Value	Assumed Excess Over Market	Total Mitigation			
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	\$3.836	\$33.707	\$18.883	\$14.824	\$18.660	\$11.238	\$9.325	\$1.913	\$16.747	\$0.670	4,173.546	0.01605
2004	3.951	33.861	21.842	12.019	15.970	13.718	10.859	2.859	13.111	0.524	4,202.750	0.01247
2005	1.017	8.534	5.101	3.433	4.450			-	4.450	0.178	4,286.805	0.00415
2006	-	-	-	-	-			-	-	-	4,372.541	0.00000
2007	-	-	-	-	-			-	-	-	4,459.992	0.00000
2008	-	-	-	-	-			-	-	-	4,549.192	0.00000
2009	-	-	-	-	-			-	-	-	4,640.176	0.00000
2010	-	-	-	-	-			-	-	-	4,732.980	0.00000
2011	-	-	-	-	-			-	-	-	4,827.640	0.00000
2012	-	-	-	-	-			-	-	-	4,924.193	0.00000

Column Notes:

Col. B: Restated per new Pilgrim decommissioning forecast in DTE 98-126.

Col. C: See DTE 98-78, Schedule 1, Page 11, Column (1).

Col. D: See DTE 98-78, Schedule 1, Page 12, Column (1) times NERA Base Load Market Forecast.

Col. E: Col. C - Col. D.

Col. F: Col. B + Col. E.

See DTE 98-126 for revised amounts for Cols. G through I.

Col. J: Col. F - Col. I.

Col. K: Col. J Multiplied by 4%.

Col. L: 2003 - 2012, see Page 1, Col. B.

Col. M: Col. K/Col. L Multiplied by 100.

2005 includes Jan to March only; post March 2005 eliminated due to Securitization.

Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Seabrook Buydown
\$ in Millions

<u>Year</u>	<u>Original Forecast</u>			<u>Revised Forecast</u>			<u>Total</u> <u>Mitigation</u>	<u>Transition</u> <u>Charge</u> <u>Mitigation</u> <u>Incentive</u> <u>@ 4%</u>	<u>Estimated</u> <u>GWH</u> <u>Sales</u>	<u>Impact on</u> <u>Transition</u> <u>Charge</u> <u>(cents/kwh)</u>
	<u>Power</u> <u>Contract</u> <u>Total</u> <u>Obligation</u>	<u>Assumed</u> <u>Market</u> <u>Value</u>	<u>Assumed</u> <u>Excess</u> <u>Over</u> <u>Market</u>	<u>Power</u> <u>Contract</u> <u>Total</u> <u>Obligation</u>	<u>Assumed</u> <u>Market</u> <u>Value</u>	<u>Assumed</u> <u>Excess</u> <u>Over</u> <u>Market</u>				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2003	\$25.689	\$8.813	\$16.876	\$12.950	\$8.813	\$4.137	\$12.739	\$0.510	4,173.546	0.01222
2004	24.848	10.091	14.757	12.438	10.091	2.347	12.410	0.496	4,202.750	0.01180
2005	6.333	2.381	3.952	3.317	2.381	0.936	3.016	0.121	4,286.805	0.00282
2006	-	-	-	-	-	-	-	-	4,372.541	0.00000
2007	-	-	-	-	-	-	-	-	4,459.992	0.00000
2008	-	-	-	-	-	-	-	-	4,549.192	0.00000
2009	-	-	-	-	-	-	-	-	4,640.176	0.00000
2010	-	-	-	-	-	-	-	-	4,732.980	0.00000
2011	-	-	-	-	-	-	-	-	4,827.640	0.00000
2012	-	-	-	-	-	-	-	-	4,924.193	0.00000
2013	-	-	-	-	-	-	-	-	5,022.677	0.00000
2014	-	-	-	-	-	-	-	-	5,123.131	0.00000
2015	-	-	-	-	-	-	-	-	5,225.594	0.00000
2016	-	-	-	-	-	-	-	-	5,330.106	0.00000
2017	-	-	-	-	-	-	-	-	5,436.708	0.00000
2018	-	-	-	-	-	-	-	-	5,545.442	0.00000
2019	-	-	-	-	-	-	-	-	5,656.351	0.00000
2020	-	-	-	-	-	-	-	-	5,769.478	0.00000
2021	-	-	-	-	-	-	-	-	5,884.868	0.00000
2022	-	-	-	-	-	-	-	-	6,002.565	0.00000
2023	-	-	-	-	-	-	-	-	6,122.616	0.00000
2024	-	-	-	-	-	-	-	-	6,245.068	0.00000
2025	-	-	-	-	-	-	-	-	6,369.969	0.00000
2026	-	-	-	-	-	-	-	-	6,497.368	0.00000

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (2).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (2) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

See DTE 99-89 for revised amounts for Cols. E through G.

Col. H: Col. D - Col. G.

Col. I: Col. H Multiplied by 4%.

Col. J: 2003 - 2026, see Page 1, Col. B.

Col. K: Col. I/Col. J Multiplied by 100.

2005 includes Jan to March only; post March 2005 eliminated due to Securitization.

Commonwealth Electric Company
Transition Charge Mitigation Incentive Mechanism - Seabrook Buyout
\$ in Millions

Year	Original Forecast						Revised Forecast			Transition Charge Mitigation Incentive @ 4%	Estimated GWH Sales	Impact on Transition Charge (cents/kwh)
	Nuclear Decommissioning Costs	Power Contract Total Obligation	Assumed Market Value	Excess Over Market	Transmission in Support of Remote Generation	Total Filed Case	Future Power Contract Buyouts	Total Mitigation				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	
2003	\$0.565	\$12.950	\$8.813	\$4.137	\$0.186	\$4.888	\$ -	\$4.888	\$0.196	4,173.546	0.00470	
2004	0.588	12.438	10.091	2.347	0.184	3.119		3.119	0.125	4,202.750	0.00297	
2005	0.154	3.317	2.381	0.936	0.046	1.136		1.136	0.045	4,286.805	0.00105	
2006	-	-	-	-	-	-		-	-	4,372.541	0.00000	
2007	-	-	-	-	-	-		-	-	4,459.992	0.00000	
2008	-	-	-	-	-	-		-	-	4,549.192	0.00000	
2009	-	-	-	-	-	-		-	-	4,640.176	0.00000	
2010	-	-	-	-	-	-		-	-	4,732.980	0.00000	
2011	-	-	-	-	-	-		-	-	4,827.640	0.00000	
2012	-	-	-	-	-	-		-	-	4,924.193	0.00000	
2013	-	-	-	-	-	-		-	-	5,022.677	0.00000	
2014	-	-	-	-	-	-		-	-	5,123.131	0.00000	
2015	-	-	-	-	-	-		-	-	5,225.594	0.00000	
2016	-	-	-	-	-	-		-	-	5,330.106	0.00000	
2017	-	-	-	-	-	-		-	-	5,436.708	0.00000	
2018	-	-	-	-	-	-		-	-	5,545.442	0.00000	
2019	-	-	-	-	-	-		-	-	5,656.351	0.00000	
2020	-	-	-	-	-	-		-	-	5,769.478	0.00000	
2021	-	-	-	-	-	-		-	-	5,884.868	0.00000	
2022	-	-	-	-	-	-		-	-	6,002.565	0.00000	
2023	-	-	-	-	-	-		-	-	6,122.616	0.00000	
2024	-	-	-	-	-	-		-	-	6,245.068	0.00000	
2025	-	-	-	-	-	-		-	-	6,369.969	0.00000	
2026	-	-	-	-	-	-		-	-	6,497.368	0.00000	

Column Notes:

Col. B: See DTE 01-79, Exhibit COM-BKR-1, Page 6, Columns B & C.

Col. C: See Page 11, Column E.

Col. D: See Page 11, Column F.

Col. E: Col. C - Col. D.

Col. F: See DTE 99-90, Schedule 1, Page 7, Column (2).

Col. G: Col. B + Col. E + Col. F.

Col. H: Estimated Buyout Amount per DTE 02-34.

Col. I: Col. G - Col. H.

Col. J: Col. I Multiplied by 4%.

Col. K: See Page 1, Col. B.

Col. L: Col. J/Col. K Multiplied by 100.

2005 includes Jan to March only; post March 2005 eliminated due to Securitization.

Deferral Securitization

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-4
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Commonwealth Electric Company
Power Contract Obligations
Annual Obligations in Millions of Dollars

Year	Dartmouth Power	Altresco- Pittsfield	NEA- Bellingham (25MW)	NEA- Bellingham (21MW)	Mass- Power 1	Mass- Power 2	Chicopee Hydro	Collins Hydro	Boott Hydro	Pioneer Hydro	Pilgrim	SEMASS	SEMASS Expansion	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
Jan - Mar														
Apr - May														
Jun - Sep														
Oct - Dec														
2004														
Jan - Feb														
Mar														
Apr - Dec														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														
2017														
2018														
2019														
2020														
2021														
2022														
2023														

REDACTED

Note: Updated from COM-JFL-3 (supp) in D.T.E. 03-118 with latest forecast from CEA.

Deferral Securitization

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-4
Page 14 of 16

Commonwealth Electric Company
Power Contract Obligations
Annual Market in Millions of Dollars

<u>Year</u>	<u>Dartmouth Power</u>	<u>Altresco- Pittsfield</u>	<u>NEA- Bellingham (25MW)</u>	<u>NEA- Bellingham (21MW)</u>	<u>Mass- Power 1</u>	<u>Mass- Power 2</u>	<u>Chicopee Hydro</u>	<u>Collins Hydro</u>	<u>Boott Hydro</u>	<u>Pioneer Hydro</u>	<u>Pilgrim</u>	<u>SEMASS</u>	<u>SEMASS Expansion</u>	<u>S. O. Adjustment</u>	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
2023															

REDACTED

Note: Cols B thru N are updated from CAM-JFL-3 (supp) in D.T.E. 03-118 with latest forecast from CEA.
Col.O = Col.P minus Cols. B thru N for Jan 2004 through Feb 2005
Col.P for Jan 2004 through Feb 2005 (Standard Offer period) is equal to the transfer price from DTE 04-60 NSTAR-COM-GOL-5 & 7 (page 1, line 7)
Col.P for March 2005 onwards = sum Col. B thru Col. O

Deferral Securitization

D.T.E. 04-70
Exhibit NSTAR-COM-GOL-4
Page 15 of 16

Commonwealth Electric Company
Power Contract Obligations
Annual Above Market in Millions of Dollars

Year	Dartmouth Power	Altresco- Pittsfield	NEA- Bellingham (25MW)	NEA- Bellingham (21MW)	Mass- Power 1	Mass- Power 2	Chicopee Hydro	Collins Hydro	Boott Hydro	Pioneer Hydro	Pilgrim	SEMASS	SEMASS Expansion	S. O. Adjustment	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
2023															

REDACTED

Note: Annual above Market = Annual Obligation (p.13) minus Annual Market (p.14)

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Deferral/Fixed Cash Flow Securitization \$ in Millions										
Year	Original Forecast					Revised Forecast	Total Mitigation	Transition Charge Mitigation Incentive @ 4%	Estimated GWH Sales	Impact on Transition Charge (cents/kwh)
	Interest on Deferral	Deferral Recovery	Fixed Component	Mitigation Incentive	Total Recovery From Customers	Deferral Securitization Payments				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,173.546	0.00000
2004	-	-	-	-	-	-	-	-	4,202.750	0.00000
2005	2.288	61.234	0.344	1.517	65.383	17.737	47.646	1.906	4,286.805	0.04446
2006	1.278	54.352	0.418	1.903	57.951	22.957	34.994	1.400	4,372.541	0.03202
2007	0.381	23.084	0.382	1.899	25.746	22.166	3.580	0.143	4,459.992	0.00321
2008	-	-	0.343	1.809	2.152	21.375	(19.223)	(0.769)	4,549.192	(0.01690)
2009	-	-	0.305	1.946	2.251	20.584	(18.333)	(0.733)	4,640.176	(0.01580)
2010	-	-	-	1.521	1.521	19.792	(18.271)	(0.731)	4,732.980	(0.01544)
2011	-	-	-	1.205	1.205	19.001	(17.796)	(0.712)	4,827.640	(0.01475)
2012	-	-	-	1.042	1.042	18.210	(17.168)	(0.687)	4,924.193	(0.01395)
2013	-	-	-	0.455	0.455	4.429	(3.974)	(0.159)	5,022.677	(0.00317)
2014	-	-	-	0.527	0.527	-	0.527	0.021	5,123.131	0.00041
2015	-	-	-	0.514	0.514	-	0.514	0.021	5,225.594	0.00040
2016	-	-	-	0.366	0.366	-	0.366	0.015	5,330.106	0.00028
2017	-	-	-	0.446	0.446	-	0.446	0.018	5,436.708	0.00033
2018	-	-	-	0.434	0.434	-	0.434	0.017	5,545.442	0.00031
2019	-	-	-	0.324	0.324	-	0.324	0.013	5,656.351	0.00023
2020	-	-	-	0.418	0.418	-	0.418	0.017	5,769.478	0.00029
2021	-	-	-	0.413	0.413	-	0.413	0.017	5,884.868	0.00029
2022	-	-	-	0.299	0.299	-	0.299	0.012	6,002.565	0.00020
2023	-	-	-	0.405	0.405	-	0.405	0.016	6,122.616	0.00026
2024	-	-	-	0.404	0.404	-	0.404	0.016	6,245.068	0.00026
2025	-	-	-	0.265	0.265	-	0.265	0.011	6,369.969	0.00017
2026	-	-	-	0.345	0.345	-	0.345	0.014	6,497.368	0.00022

Column Notes:

Col. B: Deferral Balance times 1.65%

Col. C: Page 1, Col. D less Page 1, Columns E, F, G and I.

Col. D: Exhibit NSTAR-COM-GOL-3, Page 3. 2005 = 3/4ths

Col. E: Exhibit NSTAR-COM-GOL-3, Page 5, Columns G, H, I, J, and K. 2005 = 3/4ths

Col. F: Sum of Columns B through E.

Col. G: See Exhibit GOL-2.

Col. H: Col. F - Col. G.

Col. I: Col. H Multiplied by 4%.

Col. J: 2003- 2026, see Page 1, Col. B.

Col. K: Col. I/Col. J Multiplied by 100.